Volume 1

Introduction and Economic Analysis

The Province of Manitoba

Guidelines

FOR THE SEVENTIES

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Guidelines for the Seventies

Volume 1

Introduction and Economic Analysis

The Province of Manitoba

MARCH, 1973

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Preface

Probably at no other time in the history of our province has the future held so much promise for us, for our children, and for generations to come. Our economy grows stronger every year and prospects for beneficial new development range before us as never before.

For many, this assurance of continuing improvement in our economic and social environment is accepted as a simple fact, a self-evident truth. It is taken for granted, along with the high standard of living and the many freedoms which we now enjoy – and expect – as a part of our heritage. Regrettably, however, there are substantial numbers of Manitobans whose living conditions are less favourable and whose view of the future is, as a result, considerably less optimistic.

Of course, this is a problem which is not Manitoba's alone. After decades of costly federal, provincial, and local government programs which were intended to bring about greater equality of the human condition and to enhance the quality of life for all Canadians, unacceptable wide disparities of income and of opportunity persist within and among all regions of our country.

In these circumstances, and given the relatively small size of our own province, there might appear to be considerable grounds for pessimism as to our prospects for attaining these and other long-sought objectives for all Manitobans in the years ahead. Yet, our government is certain that real progress can be made in this province despite the practical and constitutional contraints limiting the efforts which any one province can make within our confederation.

Our reason for this certainty is easily explained. It follows directly from our commitment to a course of development of Manitoba which will be directed not only to promoting pervasive, general improvement in the quality of life in our province, but also to guaranteeing substantial progress toward realization of the full benefits of development by all our citizens, thus bringing about more equality of opportunity and eventually more equality of condition.

We believe this commitment reflects accurately the mandate given by the people of Manitoba when they elected us to office in the middle of 1969. In the years since then, our government has formulated every policy decision and every program modification or innovation in the context of this mandate and our dedication to it. The principles implicit in our mandate have proved themselves to be a sound, valid basis upon which to establish a concrete planning framework – substantive, rational guidelines for the development of our province in the remaining years of this decade.

For the past several months, our government has been engaged in an intensive effort to prepare a formal elaboration of such a planning framework for consideration by the people of Manitoba. This document, *Guidelines for the Seventies,* represents the results of that effort. Its contents have been influenced strongly by the expressed views of various individuals, business and labour leaders, community groups, and a number of government departments.

Guidelines is intended to present a statement of alternative policy principles and objectives worthy of analysis, reflection, and public discussion. It is also intended to put forward a number of specific development alternatives which are required as a response to current and foreseen problems in social and economic development. Instead of serving as a static, rigid plan which would not permit adjustment over time and which would thus have little lasting value, *Guidelines* forms the basis for a dynamic, flexible plan designed to be responsive to the requirements of the people of Manitoba – a plan whose program components can be evaluated in terms of basic development policy principles and can be adjusted according to the wishes and changing needs of our society. Criticism of particular proposals will be weighed against the criticisms that can be made of alternatives brought forward, including the alternative of doing nothing.

One of the major principles underlying this planning concept, and one of the key determinants of its success, is greater direct participation by the people of Manitoba in the development of the province. It is the hope of our government that the presentation of *Guidelines for the Seventies* at this time will encourage widespread public interest, discussion and involvement in the planning process in order that future development decisions are made in the context of a realistic examination of the issues.

Ed Schreyer

Edward Schreyer
Premier of Manitoba

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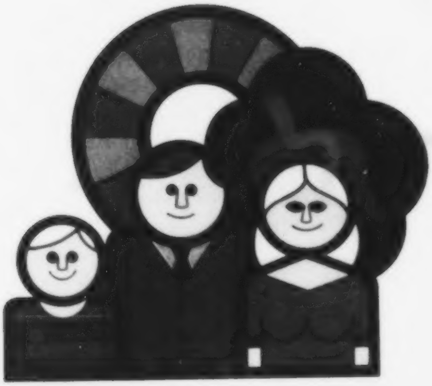
Chapter 1
Introduction and Principles

Introduction and Principles



THE PERSPECTIVE

Economic and social progress can be perceived and evaluated in many ways. It can be assessed according to objective or quantitative standards, according to subjective or qualitative standards, or in a political context, according to a combination of criteria which take into account as far as is possible the basic values and objectives of the people a government represents.

The fundamental responsibility of government in our society is to translate these basic values and objectives into policy decisions which will bring about the kind of progress which citizens desire for themselves. Obviously this is a difficult task because every individual's concept of progress may vary. Yet, from amongst a virtually infinite variety of aspirations, it is generally possible to define certain common goals. It is toward these broad goals that a government is expected to dedicate itself – without losing sight of the fact that its citizens' perceptions of progress may change over time as values and objectives change and that the achievement of progress measured in terms of one set of criteria may not necessarily imply progress in terms of other equally significant standards.

The validity of these observations can be readily recognized. However, surprisingly and all-too-frequently many governments tend to overlook these important considerations when they evaluate past policies and programs and frame their plans for future development. It is common, to give one example, for representatives of various governments in Canada and elsewhere to manifest considerable satisfaction in reporting, as indicators of economic "progress", substantial increases in total output, aggregate income, corporate profits, retail sales, and so on, with no reference to the real impact these trends have on the people they have been selected to serve. It must remain the responsibility of governments to prove to themselves and to the citizens they represent that such indicators do, in fact, signify real benefits, particularly in terms of equity of distribution. Thus, an assessment of the progress of a particular society by its government must consist of more than a simple delineation of aggregate indicators: it must include an evaluation of all the implications of government policy decisions for all citizens in terms of the basic values and objectives which they hold.

Regrettably, this type of evaluation is seldom done. A realistic progress assessment requires degrees of technical competence, of political responsibility – and, indeed, of political courage – which have been demonstrated by few governments in this country in recent years.

The present Manitoba Government has endeavoured to present a full accounting of all its policies relevant to the progress of this province keeping in mind the values and objectives of all Manitobans.

It is in this context that these *Guidelines for the Seventies* have been prepared and made public. The Manitoba Government believes that only with a thorough examination and discussion of all aspects of development policy for the future can there be assurance of satisfactory progress towards the achievement of the basic goals of the people of Manitoba.

Much has been accomplished in the years since the present Government was given the mandate of the citizens of Manitoba to administer existing programs and to formulate new policies for future development. Economic and social conditions in this province have shown tangible improvement since the middle of 1969 – both in relation to previous conditions in Manitoba and to conditions in other parts of Canada.

While it was pointed out earlier that references to general trends can sometimes be misleading and may constitute insufficient evidence of progress, it seems quite clear that certain indicators of Manitoba's development over the past few years do signify improved conditions for most Manitobans. For example, Manitoba's gross provincial income – the measure of the total income derived from the province's output of goods and services – will have increased more than 40 percent from $3.5 billion in 1969 to approximately $5 billion by the end of this year. Total personal income also rose by about 40 percent, from $2.5 billion to an estimated $3.5 billion between 1968 and 1972. Farm incomes have also recently risen markedly after several years of decline.

Other indicators reveal equally important overall trends. Despite unacceptably high national unemployment levels, Manitoba's unemployment experience has been relatively favourable. The provincial unemployment rate has remained well below the national average – in large part as a result of expansionary fiscal measures instituted by the Manitoba Government.

From this evidence it is possible to conclude, in a general way at least, that Manitoba's economy has shown sizeable gains in the past few years. For most Manitobans, this has meant larger pay cheques, increased acquisition of consumer goods, and more and better services from both the private and public sectors. However, it must be repeated that this type of evidence of overall progress is often inadequate because it does not necessarily present a complete picture of the actual pattern of development and of the results of that development, both positive and negative.

For example, while recent increases in personal income totals indicate many Manitobans are benefitting greatly from the development of our province, these data do not reveal the precise distribution of benefits. They do not reveal, for example, that despite a gain of roughly 40 percent in total personal income in the province since 1968, some 21 to 30 percent of Manitoba families receive incomes which place them below widely accepted poverty line levels.* They do not reveal that some five percent of the tax filers in our province – those with the highest incomes – actually receive about 19 percent of the total taxable income reported for Manitoba. This is the same percentage earned by the bottom 50 percent of tax filers. They do not reveal the major gap between rural and urban income levels: average incomes of people in Winnipeg are at least 43 percent greater than those of residents in the rest of Southern Manitoba. They do not reveal the wide gaps among the income levels of various groups of workers within the province. Some professionals, such as doctors, reported an average taxable income in 1970 of $34,000 (after expenses) while salary and wage earners received, on average, about $4,000 and farmers, on average, about $2,000.** However, even these figures are not satisfactory indicators of the actual distribution of the benefits of this province's development since they themselves are only averages.

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* 21 percent of all Manitoba families earned less than $3,000 and 30 percent earned less than $4,000 in 1971. Source: *Statistics Canada (13-206)*

**Source: *Taxation Statistics 1972*, Department of National Revenue.

Clearly, these data serve to illustrate that there is much to be accomplished before real progress for all Manitobans can be achieved. Of course, these examples of income distribution disparities are not unique to Manitoba, nor do they reflect a problem which has arisen only in recent years. Research into the past and present experience of all other provinces in Canada would reveal similar statistics on the pattern of income distribution. In fact, such statistics would show that the income distribution problems faced by Manitoba, while substantial, are in many cases far less severe than those found in other regions of Canada, particularly in Quebec and the Atlantic Provinces.

Further problems may be detected as well, when an investigation of the real ramifications of development trends is carried beyond a review of aggregate statistics. For example, Manitoba's population growth in recent years has been relatively stable and consistent with past years. However, this in itself is not necessarily an indication of positive or negative development implications: it is more important to consider the pattern of population changes. Such an analysis reveals that while Manitoba's total population has continued to expand, substantial shifts have taken place within this total. This has involved migration, particularly in the last 20 years, from rural to urban areas and outflows from Manitoba to other parts of Canada. The evidence suggests that in many cases these migration patterns have been involuntary and have resulted from serious imbalances in opportunities, both within our province and within Canada as a whole. These trends have important negative implications for the entire province. Again, of course, these problems are not unique to Manitoba, nor are they recent trends. Similar patterns have persisted for the last several decades, under many different federal and provincial governments, and in all parts of Canada.

Another example of a barrier to real progress which may be 'hidden' in aggregate indicators of development is serious regional unemployment and underemployment. Again, this is a problem which is common both to Manitoba and to other areas in Canada. Available statistics indicate that rural and remote areas in particular suffer from heavy underdevelopment and 'lost potential' because of the ineffectiveness of past development policies.

Numerous examples of still other problems are evident both in Manitoba and throughout the rest of Canada: federal and provincial government revenue structures which depend far too heavily on regressive forms of taxation such as property taxes, inadequate housing for a sizeable proportion of the population, inequitable distribution of education, health, and social development services, unsatisfactory transportation and communications in rural areas, lack of opportunities for native people, and so on. In the face of these problems, no government in Canada – federal or provincial – can veiw the future with complacency and simply point to broad growth trends as fully satisfactory indicators of economic and social progress. Until such time as these problems are resolved, and until such time as there is clear evidence that all citizens share fully and equitably in the benefits of national and provincial development, real progress will not have been attained.

THE APPROACH OF GUIDELINES FOR THE SEVENTIES

The challenge for all governments in Canada is to develop means whereby programs can be formulated to rectify these problems without delay. Of course, this is not a new challenge by any means. In the past, various governments have attempted to deal with these problems through a myriad of program responses and various types of planning mechanisms. Unfortunately, in some cases because of the nature of these programs and planning mechanisms, and in other cases because of the philosophy or the lack of commitment of the governments which have developed these measures, only minimal success has been achieved. In certain provinces, for example, governments have presented development plans based on growth "targets" which were little more than projections of past trends. For the purposes of these plans, it was assumed that perpetuating existing development patterns – perhaps with some acceleration – would be sufficient to assure progress. Inevitably, such an approach must be doomed to failure.

This government has rejected this type of approach and instead has adopted a far different and far more rational concept for its development planning. This concept involves the establishment of a set of basic development guidelines which appear to conform closely to the fundamental objectives of the people of Manitoba. These guidelines in turn function as a planning framework from which may be derived a number of specific program alternatives whose values can be tested in terms of the basic principles.

Unlike the kinds of "targets" described earlier, these guidelines are not based on the assumption that present development trends should necessarily continue. Rather, they specify precisely where certain trends should be maintained and where other patterns of development should be altered or reversed. Furthermore, and perhaps more important, the guidelines involve a firm commitment by this Government to apply these principles in the form of concrete, practical program initiatives for the purpose of overcoming many of the key obstacles to the improvement of Manitoba's social and economic environment by the end of this decade.

While this document presents a comprehensive, rational framework for progressive development planning, it should not be regarded as a static, rigid mechanism. As was observed earlier, because basic values, objectives, and perceptions of progress change over time, related policies must be adjusted accordingly. Similarly, program alternatives must be evaluated carefully in terms of their potential benefits. Thus, a very specific plan formulated in 1972 or 1973 could well be out of date and of less value a few years later. To be assured of continuing relevance over time, a development plan must lend itself to modification and must be fully responsive to the needs of the people it has been designed to serve.

In summary then, *Guidelines for the Seventies* consists of two major parts: first, basic principles which give general direction to development policy, and second, specific program options based on these principles and designed to ensure the realization of the province's broad policy objectives. These specific program options are not matters of already defined policy but are intended for discussion in arriving at decisions on those programs which will best achieve Manitoba's goals.

In developing *Guidelines* the government sought to define four broad policy principles upon which to base program formulation. As was indicated earlier, the government believes these four principles accurately reflect the aspirations of the majority, if not all, of the people of Manitoba. Of necessity, these principles are general, inter-related, and far reaching in their application. At the same time, however, they are forceful and precise in terms of the direction they provide. Subsequent chapters will illustrate the application of these principles with respect to economic and social development policy, and in respect of their implications for various regions in the province.

THE FOUR PRINCIPLES OF GUIDELINES

- *First,* maximization of the general well-being of all Manitobans;
- *Second,* greater equality of the human condition for all Manitobans through a more equitable distribution of the benefits of development;
- *Third,* implementation of an effective *stay option* through policies and programs which will prevent Manitobans from being coerced by economic forces to leave their province or to leave the region within the province in which they prefer to live; and
- *Fourth,* the promotion of public participation in the process of government, and more particularly, in the development decisions which will affect all Manitobans in the years ahead.

THE MAXIMIZATION OF THE GENERAL WELL-BEING OF MANITOBANS

In setting the maximization of general well-being as a fundamental goal, the intention of the government is to make clear that many other objectives which commonly appear in "plans for development" as goals or targets are only indirectly important in their contribution to the general well-being, and even then may be of no direct importance in their own right.

For example, should economic growth be set as a goal? The answer is yes where such growth contributes to general well-being, as it often does. But where it does not add to general well-being, as is sometimes the case, economic growth must be rejected as a goal. Obviously, other things being equal, more growth is better than less. However, growth usually has a cost or requires a sacrifice of other objectives and, in these cases, the choice is not immediately clear. First, growth as measured by the usual statistical indicators only measures things which have a dollar value and neglects equally valuable things that do not pass through the market place. Thus many aspects to which we must attach a negative value, such as many forms of environmental damage, are not subtracted from the gross provincial output. As a result, it could be possible that particular industrial projects, while increasing the dollar value of the provincial output, could in fact detract from the general well-being of Manitobans by reducing the value of many unmeasured assets such as clean air and water. Only by estimating these heretofore unmeasured costs, both public and private, will statistical measures of growth have any real meaning. A second and more fundamental point is that economic growth, even when it is properly measured, is not a goal in itself, but a means to an end. An extravagantly high rate of growth, which could be attained if government policy was set to maximize growth, would not be a free good, but would be paid for by sacrificing other objectives.

Would Manitobans be satisfied, for example, that the general well-being had been maximized if the amounts set aside for the comfort and security of pensioners were insufficient? Clearly, they would not. But the setting and pursuit of simplistic targets of crude economic growth might well restrict the resources needed to provide adequate living conditions for those past working age.

Similarly, would the community believe that the general well-being should be set aside in favour of efforts to achieve an arbitrary, unrealistic rate of population growth or an artificial total of industrial savings at the cost of disregarding general housing conditions and the adequacy of health and education services? The rates of economic growth, of savings, and of population increase, should follow from maximizing the general well-being and not leave the general well-being as the accidental outcome of the arbitrary choice of instruments of policy. Likewise, the government budget itself is an instrument of policy, not appropriate or inappropriate because of its size or of its surplus or deficit, but insofar as its size and surplus or deficit affects well-being in Manitoba.

This explanation is not, of course, intended to suggest a lack of concern for vigorous economic development in Manitoba. On the contrary, it simply reflects the need to measure development in terms of basic policy objectives in order that it is truly related to well-being.

GREATER EQUALITY OF THE HUMAN CONDITION

In commiting itself to guarantee Manitobans far greater equality of the human condition, this Government has recognized that it is insufficient to formulate plans designed only to improve "total prosperity". It has already been shown that despite significant increases in total incomes in recent years, there remain large groups within the community whose conditions are far below the standards any sense of natural justice can accept. This situation must be corrected.

The principle of greater equality requires that gross poverty be eliminated and that the living conditions of low income people in general be substantially improved both in absolute and relative terms. Canada and Manitoba already enjoy the prosperity and have many of the institutions which will permit these objectives to be realized if adequate programs are implemented without delay. What is required is that every aspect of government policy must be oriented toward this goal. Equality of access must be provided in the wide range of provincial public goods and services such as housing, health, education, and social services. Economic policy generally must ensure that employment is guaranteed to the fullest extent possible in all regions of the province. Agricultural policies must be specifically directed towards helping the large number of low income farmers. Economic development policies, especially for the North, must be geared to ensure that the local residents, particularly the chronically unemployed, benefit from the development of local resources. The taxation system by which the government raises its funds must be transformed on the basis of the ability to pay principle so that the burden of taxation on persons in the low to middle income range is shifted to higher income groups.

By a consistent application of this principle, a much greater equality of condition will be achieved for Manitobans. A great deal has already been accomplished in the life of this Government; much more is required in the years ahead.

AN EFFECTIVE STAY OPTION

North American history offers ample evidence that large migrations of people from region to region have often produced great benefits but at times have been fraught with pointless and destructive hardships. Migration deliberately chosen is an open decision that people may make for countless reasons of personal preference. Often, the migration results from widened social or economic opportunities or from changes in tastes and changes in life styles. This kind of option is an obvious benefit of a free society. Frequently, however, migration has been the coerced result of world and national economic forces often reinforced by inadequate or inappropriate government policy and as such has been involuntary, cruel, and wasteful. A lack of government policy to prevent forced migration has represented a fundamental error of rational development planning.

The *stay option* represents an attempt by this Government to provide people in Winnipeg and in rural and northern Manitoba with the opportunity to live and work without disadvantage in the particular region of the province in which they have their roots. In some areas of the province, particularly in rural and northern Manitoba, where decline and hardship has continued for decades, the task will require a strong commitment of government support. Economic disparities which forced migration from these areas may have appeared satisfactory and acceptable in the past. Today, this kind of migration cannot be accepted by those who observe the continued decline of our rural areas and the costly process of rapid and unplanned urbanization. It cannot satisfy those who observe that there are still greater private costs and penalties borne by the uprooted migrants in the destruction of their preferred choice of home and surroundings. The consequence of a proper calculation of both private and public costs is the release of wasted resources for the improvement of both urban and rural life. Based on a revitalized agricultural sector, the *stay option* in rural Manitoba will mean that economic and social opportunities must be provided to rural Manitobans to enable them to live and work in their region of the province. In those cases where public financing of industrial growth is urgently needed, it may well necessitate the taking of higher risks than would normally be considered advisable.

For northern Manitobans the *stay option* will mean that they benefit from the opportunities for northern developments by ensuring that northerners fill a larger share of jobs in the mining sector and that they benefit from the development of their traditional local resources. For Winnipeg residents an effective *stay option* will ensure that involuntary migration to larger centres such as Toronto or Vancouver in search of employment or a more stimulating urban environment will be unnecessary. Winnipeg, freed from absorbing forced migration from rural and northern Manitoba, could turn its share of the overall savings to the amenities which enhance the quality of life in an urban community. A better city would result from the restoration of the city core and an improved transportation system that is inexpensive and reliable and does not depend on concrete beltways and overpasses which negatively affect the quality of life of the city itself.

For the individual migrant, not only will his preferred choice of life-style be protected, but the private costs of adjustment measured in both dollars and discontent will be avoided. The intention is not one of protecting every plot of ground in Manitoba in relation to the *stay option.* That is outside the range of the possible. Instead, the intention is to protect regions and life styles according to the informed preference of those the *stay option* affects. The goal is to give equal dignity and self-sustaining quality to each of the regions and all their people. People will no doubt move from region to region (or province to province) in the future, but they will move at the rate free and natural choice produces and not because severe economic forces have left them no realistic choice.

GREATER PUBLIC PARTICIPATION

Greater participation, the last of the four principles of *Guidelines,* follows from the observations that the democratic process has not developed at the same pace as government responsibility, and that this has led to increasing social, economic, and political problems. Across Canada in the post-war years, the public has successfully demanded an ever expanding total of services from government in health care, in housing, in education, and so on. Much of this enlarged demand has been experienced at the provincial level with the result that the tasks and responsibilities of provincial governments have vastly increased.

In Manitoba, as total services have grown, so has the pattern of responsibilities accepted by the provincial administration centred in Winnipeg. As a consequence of this centralization of administration in the provincial capital, and a result of the increasing complexity of the provincial government's operations, Manitobans in rural and remote areas – and indeed many in urban areas as well – have tended to have inadequate contact with their government. In some cases, people have felt their views were not considered in policy formulation and program implementation. To correct this situation and to prevent growing confusion, indifference and alienation, the fourth *Guidelines* principle will require that key elements of provincial administration be decentralized so that people in all regions of the province may effectively express their views on matters of public policy.

In summary, then, through the application of these four basic principles, and through the implementation of specific programs based on these principles, it will be possible to bring about major improvements in the quality of life in our province over the years to the end of this decade. Some of these improvements have already been suggested and others will be described in detail in ensuing chapters.

The purpose of this *Guidelines* document is to initiate dialogue, to stimulate debate, and to elicit comments and suggestions from individuals, groups, community organizations, businesses, and other governments, in order to promote greater participation in government and to ensure that, by 1980, a progress review of economic and social conditions in our province will reveal substantial improvement in the quality of life enjoyed in this province.

Chapter 2
Economic Overview

Economic Overview

It is impossible to plan for provincial development without dealing with the economic factors which determine the merit and the feasibility of certain planning alternatives. The purpose of this chapter, therefore, is to present a broad view of the present economic climate in Manitoba and to outline the intended direction of the government's economic policies in the areas of employment, taxation and migration.

THE STATE OF THE MANITOBA ECONOMY

In describing the economic situation it is useful to consider various traditional statistical indicators such as gross provincial income and its distribution, unemployment, average weekly earnings and hours of work. However, these broad indicators cannot be, and were never intended to be, a true guide to social progress. Indeed, the first principle of *Guidelines,* established in Chapter One, is the maximization of general well-being. Economic indicators of the sort that commonly appear in "plans for development" as goals or targets are only indirectly important in *Guidelines* inasmuch as they contribute to the "general well-being". They are of no direct importance in their own right.

Too often in the past, economic expansion measured by the traditional aggregate statistical growth rates, has been irrationally pursued for its own sake without regard for the consequences of this expansion (measured in human terms). The Government's position has been and will continue to be that it will press for further economic development, and in some cases, very rapid development, but only where it can be demonstrated that this development will bring real improvement to the quality of life enjoyed by all our citizens. For instance, where development involves the exploitation of our non-renewable resources, it is essential that this development be viewed in relation to future needs given the context of exponential growth rates of consumption and the rate of expansion of proven revenues.

It is in this spirit that economic indicators should be viewed. If properly understood, they provide a rough guide to the condition of the economy, but they are not and cannot be treated as ends in themselves.

AGGREGATE INCOME AND ITS COMPONENTS

In 1972, Manitoba's Estimated Gross Provincial Income (shown in Table 2-1) passed the $4.4 billion mark, more than doubling in the last ten years. The annual average rate of growth for the last ten years has been approximately 7.2 percent, about 1.4 percent lower than the Canadian average over the same period.

Personal Income, the amount of Gross Income received by individuals, reached $3,165 millions in Manitoba in 1971. This amount was equal to roughly 79 percent of Gross Provincial Income. On a per capita basis, the *average* income of individual Manitobans was $3,203 in 1971 or 94.1 percent of the Canadian average. Manitoba ranked fourth in Canada behind Ontario, British Columbia, and Alberta, but ahead of Quebec, Saskatchewan and the Atlantic Provinces (see Tables 2-2 and 2-3).

TABLE 2-1

GROSS NATIONAL PRODUCT AND GROSS PROVINCIAL INCOME

1960 - 1972

Year	Manitoba Estimated Gross Provincial Income*	Percent Change	Canada Gross National Product**	Percent Change
1960	1933		38,359	
1961	1891	-2.2	39,646	3.4
1962	2109	11.5	42,927	8.3
1963	2174	3.1	45,978	7.1
1964	2394	10.1	50,280	9.4
1965	2550	6.5	55,364	10.1
1966	2735	7.3	61,828	11.7
1967	2994	9.5	66,409	7.4
1968	3289	9.9	72,586	9.3
1969	3487	6.0	79,749	9.9
1970	3665	5.1	85,449	7.1
1971	4012	9.5	93,094	8.9
1972	4400***	9.7	102,935	10.6
(Average 1960-1972)		7.2		8.6

Source: * Manitoba Government, Department of Finance.
** Statistics Canada, *National Income and Expenditure Accounts Historical Revision, 1926-1971.*
*** Preliminary estimate.

TABLE 2-2

PERSONAL INCOME, CANADA AND MANITOBA, 1960 - 1971

(Millions of Dollars

Year	Manitoba Personal Income	Percent Change	Canada Personal Income	Percent Change
1960	1492		29,595	
1961	1436	-3.9	30,104	1.7
1962	1611	12.2	32,788	8.9
1963	1647	2.2	34,829	6.2
1964	1775	7.8	37,282	7.0
1965	1892	6.6	41,071	10.2
1966	2039	7.8	46,094	12.2
1967	2280	11.8	50,579	9.7
1968	2523	10.7	55,677	10.1
1969	2703	7.1	61,813	11.0
1970	2854	5.6	66,533	7.6
1971	3165	10.9	73,447	10.4
(Average 1961-1971)		7.2		8.6

Source: Statistics Canada, *National Income and Expenditure Accounts Historical Revision, 1926-1971*

TABLE 2-3
INTERPROVINCIAL COMPARISON
PERSONAL INCOME PER PERSON 1971
(dollars)

Province	Personal Income Per Person	Index Canada = 100
Newfoundland	2211	64.9
Prince Edward Island	2188	64.3
Nova Scotia	2611	76.7
New Brunswick	2469	72.5
Quebec	3027	88.9
Ontario	3967	116.5
Manitoba	3203	94.1
Saskatchewan	2778	81.6
Alberta	3405	100.0
British Columbia	3719	109.2
Yukon and N.W.T.	2604	76.5
Canada	3405	100.0

Source: Statistics Canada, *National Income and Expenditure Accounts Historical Revision, 1926-1971.*

Table 2-4 shows the Main Components of Personal Income. As one would expect the largest component is Labour Income, that is wages, salaries and supplementary labour income. Over the last decade, labour's share of personal income has fluctuated between 61.8 percent of Personal Income (in 1962) and 67.8 percent (in 1970) and stood at 66.2 percent in 1971.

The main source of the variation in the relative shares of the components of Personal Income has been the wide fluctuations in Net Farm Income which has varied from $42 million to $158 million over the last twelve years. Net Farm Income has been not only extremely low on the average, but has also varied widely from year to year creating particularly severe hardships in low income years. Net Non-Farm Unincorporated Business Income has grown slowly but steadily,

TABLE 2-4
MAIN COMPONENTS OF PERSONAL INCOME, MANITOBA 1960-1971
(Millions of Dollars)

Year	Labour Income[1]	Net Farm Income[2]	Net Non-Farm Unincorporated Business Income[3]	Interest, Dividends, Investment Income[4]	Government Transfer Payments To Persons[5]
1960	924	92	177	86	168
1961	944	42	169	91	141
1962	995	135	166	108	157
1963	1046	102	173	119	154
1964	1104	150	179	122	163
1965	1194	158	183	130	168
1966	1312	136	193	147	184
1967	1486	144	200	155	219
1968	1646	151	222	175	253
1969	1814	103	239	204	277
1970	1935	74	238	214	325
1971	2095	149	252	228	374

1. Wages, Salaries and Supplementary Labour Income.
2. Net Income Received by Farm Operators from Farm Production (excluding adjustment on grain transactions).
3. Net Income of Non-farm Unincorporated Business Including Rent.
4. Interest, Dividends, and Miscellaneous Investment Income of Persons.
5. Government Transfer Payments to Persons. (This includes payments such as old age pensions, family allowance, and welfare, but excludes interest on the public debt and capital assistance).

Source: Statistics Canada, *National Income and Expenditure Accounts Historical Revision, 1926-1971.*

while the income of persons from interest, dividends, and other investments has grown much more rapidly, averaging 9.3 percent per year since 1960 compared to the 7.7 percent average growth rate of Labour Income and the 7.2 percent growth rate of Personal Income as a whole.

THE DISTRIBUTION OF INCOME

Such aggregate statistics as Gross Provincial Income, its components, and the various averages, shares, and growth rates that can be calculated from them are often misleading. Stating that the Personal Income Per Capita in Manitoba was $3202 in 1971 says nothing about how many persons were above the average or how many were below. The range of incomes in Manitoba varies a great deal, from some farmers and small businessmen who may have losses in any one year, to the chronic and seasonally unemployed and others who can't find work because of high unemployment, to the employed worker in a low-wage industry, to higher income workers in high-wage industries, to well-paid professionals and highly paid corporate executives. It is therefore very useful to look at the distribution of income, insofar as it can be determined.

To illustrate the distribution of income, Tables 2-5 and 2-6 show the percentage total income declared on tax returns for 1963, 1969 and 1970 by income class. A comparison of the change in income distribution shows that during those eight years an already unequal distribution has become even more *unequal*. Whereas in 1963 the bottom 25 percent of tax filers earned 6.8 percent of the income declared for tax purposes, by 1969 and 1970 they earned only 4.7 percent. Similarly, the share of the bottom 75 percent of tax filers dropped from 50 percent to 46 percent. By 1970, the top 5 percent of tax filers received as much income as the bottom 50 percent. This means roughly that the group of 21,400 persons earn-

TABLE 2-5

DISTRIBUTION OF BEFORE TAX INCOME OF INDIVIDUALS IN MANITOBA, 1970

Gross Income	Number of all Income Tax Returns	Percent of Total Number of Income Tax Returns: Actual Percent	Cumulative Percent	Total Income	Percent of Total Income of all Manitoba Income Tax Returns: Actual Percent	Cumulative Percent
Under $1,000	51,456	12.0	12.0	16,085,939	.8	.8
1,000- 2,000	60,425	14.1	26.1	90,401,206	4.3	5.1
2,000- 3,000	52,357	12.2	38.3	130,073,749	6.2	11.3
3,000- 4,000	52,694	12.3	50.6	183,519,777	8.7	20.0
4,000- 5,000	41,210	9.6	60.2	184,664,878	8.8	28.8
5,000- 6,000	36,366	8.5	68.7	199,760,470	9.5	38.3
6,000- 7,000	33,837	7.9	76.6	219,220,527	10.4	48.7
7,000- 8,000	28,047	6.5	83.1	210,008,852	10.0	58.7
8,000- 9,000	20,266	4.7	87.8	171,540,851	8.1	66.8
9,000-10,000	13,761	3.2	91.0	130,270,184	6.2	73.0
10,000-15,000	26,933	6.3	97.3	317,114,317	15.1	88.1
15,000-20,000	5,782	1.4	98.7	97,753,634	4.6	92.7
20,000-25,000	1,903	.4	99.1	42,088,273	2.0	94.7
Over 25,000	2,770	.6	99.7*	112,711,916	5.4	100.1*
	427,807	99.7*		2,105,214,573	100.1*	

*Totals do not equal 100.0 due to rounding.

Source: Department of Finance

Note: Figures are based on a complete survey of all individual tax returns for 1970.

ing over $12,000 in 1970 received as much income as the 214,000 persons who earned less than $4,000. The top one percent of tax filers, the 4,300 persons whose average income was over $40,000, received as much income as the bottom 32 percent, the 137,000 whose income averaged less than $1,250. The seriousness of this enormous disparity in income is compounded by the fact that the disparity has grown during the 1960's and by a sizeable amount. It should also be noted that since the income distribution figures are based on taxation records they actually *understate* the degree of inequality. At the bottom end of the scale, there are many persons (16 percent to 20 percent of all income earners) whose income is so low that they do not file an income tax return, and at the upper end, there are many sources of income, for example, capital gains which were then not subject to taxation and therefore not declared as income for tax purposes.

Although there is no obvious single factor which can explain this growing inequality, there are a number of possible explanations. Generally, as will be shown later, there has been a shift in the structure of the provincial economy. Employment in the service sector has been growing relatively faster than in other industries and service sector wages tend to be lower. This means that the number of persons earning relatively low wages has been growing more quickly than the number earning relatively high wages. There is

TABLE 2-6

DISTRIBUTION OF BEFORE TAX INCOME OF INDIVIDUALS
IN MANITOBA, 1963, 1969, 1970

Percentage Number of Tax Returns	Percentage Total Income of Tax Filers Before Taxes		
	1963	1969	1970
Lowest 10 Percent	1.2	.7	.7
Next 15 Percent	5.6	4.0	4.0
Total: Bottom 25 Percent	6.8	4.7	4.7
Next 25 Percent	16.4	15.0	14.6
Total: Bottom 50 Percent	23.2	19.7	19.3
Next 25 Percent	26.8	26.7	26.7
Total: Bottom 75 Percent	50.0	46.4	46.0
Next 15 Percent	22.0	23.6	24.0
Total: Bottom 90 Percent	72.0	70.0	70.0
Next 5 Percent	10.0	12.0	11.0
Total: Bottom 95 Percent	82.0	82.0	81.0
Next 4 Percent	9.0	10.5	11.0
Total: Bottom 99 Percent	93.0	92.5	92.0
Top 1 Percent	7.0	7.5	8.0
TOTAL: 100 Percent	100.0	100.0	100.0

Source: Department of Finance

Note: Figures for 1963 and 1969 are based on a sample survey of individual tax returns while 1970 data is based on a complete survey.

also an increasing number of women employed. Many of them are in the service sector and many of these work part-time. Increasing part-time employment of students in the summer would also tend to raise the number of low paid persons. All of these factors would tend to increase the inequality in the distribution of income.

Since this data is based on income tax returns, it reflects the distribution of income of individuals rather than of families. Many families have more than one income earner and this factor will necessarily make average family income higher than the average income of individuals. The distribution of family incomes also tend to show a lesser degree of inequality than the distribution of incomes of individuals. Table 2-7 illustrates this point. While 21.9 percent of Manitoba families earned less than $3,000 in 1969, 40 percent of individual income earners were in this category. The effect of the second income earner in the family can also be seen by the substantial number of families in the $10,000 to $15,000 range (15.4 percent) compared to the number of individuals (5.3 percent). Although the average income is higher and the income disparity is less for families as compared to individuals, it is nonetheless true that that gap between low and high family incomes is unacceptably large. Over 30 percent of Manitoba families earned less than $4,000 in 1969 and 65 percent earned less than $8,000.

Table 2-7 also compares the family income distribution of Canada and Manitoba for 1969. Although average family income in 1969 was higher in Canada than in Manitoba ($8,026.5 compared to $7,244.3) it is also true to say that the distribution of family income in Manitoba is slightly more unequal than for Canada. For instance, the bottom 50 percent of families in Canada earned approximately 25.7 percent of total income, while in Manitoba the bottom 50 percent earned roughly 23.2 percent of total income. Similarly, the top 10 percent of families earned a greater share of total

TABLE 2-7

COMPARISON OF INDIVIDUAL AND FAMILY INCOME DISTRIBUTION, MANITOBA, 1969 AND OF FAMILY INCOME DISTRIBUTION, MANITOBA AND CANADA 1969

	Percentage Distribution					
	Manitoba				Canada	
Income (dollars)	Individuals*		Families**		Families**	
	Actual	Cumulative	Actual	Cumulative	Actual	Cumulative
Under $3,000	40.0	40.0	21.9	21.9	16.7	16.7
$3,000-$4,000	12.5	52.5	9.2	31.1	7.1	23.8
$4,000-$5,000	10.2	62.7	9.1	40.2	6.9	30.7
$5,000-$6,000	8.8	71.5	8.7	48.9	8.0	38.7
$6,000-$7,000	8.3	79.8	7.7	56.6	8.9	47.6
$7,000-$8,000	6.0	85.8	8.4	65.0	8.7	56.3
$8,000-$9,000	4.0	89.8	6.2	71.2	8.4	64.7
$9,000-$10,000	2.9	92.7	6.2	77.4	7.3	72.0
$10,000-$11,000	2.0	94.7	4.8	82.2	5.6	77.6
$11,000-$12,000	1.3	96.0	4.1	86.3	4.6	82.2
$12,000-$15,000	2.0	98.0	6.4	92.7	9.3	91.5
$15,000 +	2.2	100.2	7.3	100.0	8.6	100.1
	100.2		100.0		100.1	

Note: Totals do not equal 100.0 due to rounding.

Source: * Individual income tax returns: Department of Finance
** Statistics Canada, *The Family Expenditure Survey 1969*

income in Manitoba than in Canada (roughly 26.0 percent compared to 24.5 percent respectively.) While the measures of family income distribution show slightly less inequality for Canada than for Manitoba, the difference is relatively marginal compared to the enormous disparities involved. Nonetheless, the difference points out that Manitoba has just that much further to go in achieving a greater equality of the human condition.

A great part of *Guidelines for the Seventies* is aimed at showing how government activity can affect the redistribution of income. This is not meant in dollar terms only. Governments affect the distribution of income through a great number of their regulatory activities, from full employment policies to the licensing of groups ranging from doctors, and lawyers, to barbers and taxi-cab drivers, to minimum wage and collective bargaining legislation, consumer legislation and many other activities. In addition, government expenditure programs have a significant impact on the after-tax distribution of income. Transfers such as social allowance payments and the provision of public education, health, and social services, add to people's real income either directly or indirectly. Further government activity in providing low cost housing and in producing marketed goods and services such as hydro, telephones and automobile insurance, add to people's real income by providing these goods to the public at a lower cost than the private sector. Corresponding to the distributive effects of government expenditure are the effects of its revenue raising. As will be shown later, the way the government raises its tax revenue has a profound effect on the disposable income of Manitobans. The traditional tax system within provincial jurisdictions, that is the tax systems of all provincial and municipal governments in Canada, has been basically regressive. Persons with high incomes generally pay a lower percentage of their incomes in taxes than do lower income persons. The main reason for this has been the heavy reliance on regressive property taxation. This has been true for Manitoba as well as for other provinces, although in the last three years, significant steps have been taken to reduce the burden of Manitoba property taxes. Further steps should be taken in the future so that the Manitoba tax system contributes to greater equality, rather than inequality.

Much of the rest of *Guidelines* is concerned with how provincial government taxation and regulatory activities and its expenditure programs can be utilized to increase the equality of the human condition in Manitoba. Thus, taxation will continue to be reformed so that revenue raising is based on the ability to pay. Agricultural policies should have a greater emphasis on aiding the low income farmer; employment and manpower policies should serve to train and employ the unemployed and disadvantaged; and health, education, housing and social services policies should be aimed at providing needed amenities to Manitobans on an equitable basis.

POPULATION, LABOUR FORCE AND EMPLOYMENT

Table 2-8 shows Manitoba's estimated population from 1960 to 1972. The population growth between 1961 and 1966 was 41,000 and between 1966 and 1971, 25,000. This change reflects to a large extent the impact of the large fall in the birth rate compared to the early 1960's. From 1961 to 1965, births exceeded deaths by 72,500, but over the decade the number of births fell substantially and deaths rose slightly so that the excess of births over deaths between 1966 and 1970 fell to roughly 49,500. In net terms this means that out-migration (the natural increase minus the actual population growth) fell from 31,500 for 1961 to 1966 (or an average of 6,300 per year) to 24,500 for 1966 to 1971 (or an average of 4,900 per year). Manitoba has therefore been more successful at retaining its population in the latter half of the decade compared to the first half. The annual average growth of population has been 5,000 over the last five years, about one-half of the natural rate of increase. If there were no migration into or out of the province, Manitoba's population would grow by the difference between the number of births and deaths, in other words by about 10,000 per year. However, about 5,000 more people leave the province each year than enter and this net out-migration reduces the rate of population growth from roughly 10,000 per year to 5,000.

Manitoba's labour force grew from 341,000 in 1961 to 390,000 in 1972. The rate of growth of the labour force was 0.9 percent per annum from 1961-1966 and double that rate (1.8 percent) from 1966-1971. It should be pointed out that this more rapid increase in the labour force in recent years has been

TABLE 2-8

POPULATION STATISTICS, MANITOBA, 1960-1972

Year	Population* (thousands)	Live Births** (number)	Deaths** (number)	Marriag (numb
1960	906	23,237	7,471	6,606
1961	922	23,288	7,369	6,512
1962	936	22,918	7,453	6,354
1963	949	22,751	7,928	6,694
1964	959	21,754	7,721	6,796
1965	965	19,976	7,716	7,012
1966	963	18,007	7,938	7,312
1967	963	17,180	7,629	7,942
1968	971	17,424	7,878	8,291
1969	979	17,809	8,040	8,864
1970	983	18,526	7,947	8,906
1971	988	18,031	8,025	9,067
1972	992	17,570	8,389	9,220

Source: * Statistics Canada, *Population* (91-201)
**Statistics Canada, *Vital Statistics* (84-202)

TABLE 2-9

LABOUR FORCE STATISTICS, 1960-1972

	Manitoba				Canada
Year	Labour Force (thousands)	Employed (thousands)	Unemployed (thousands)	Unemployment Rate	Unemployme Rate
1960	334	321	14	4.2	7.0
1961	341	325	16	4.8	7.1
1962	341	327	14	4.2	5.9
1963	341	327	14	4.1	5.5
1964	345	334	11	3.3	4.7
1965	355	346	10	2.7	3.9
1966	357	348	9	2.5	3.6
1967	358	348	9	2.7	4.1
1968	372	360	13	3.5	4.8
1969	373	363	10	2.8	4.7
1970	381	364	17	4.6	5.9
1971	390	371	19	4.9	6.4
1972	396	378	18	4.5	6.3

Source: Statistics Canada: *The Labour Force* (71-001) taking place at a time when the overall rate of population growth is lower than in the early 1960's. The result has been that Manitoba's population is now supported by a much larger work force, with a particularly large increase in the female labour force.

The growth in employment has generally paralleled the rise in the labour force. The employment pattern has closely reflected the national employment trend. At the beginning of the 1960's, national unemployment was high and this was reflected in Manitoba's high unemployment. During the expansionary period of the mid 1960's, Manitoba's unemployment fell to the 9,000 level in 1966 and 1967, only to rise again in 1970 through to the present time. A comparison of unemployment rates between Canada and Manitoba (shown in Table 2-9) shows this close relationship.

When unemployment is high in Canada, it follows that Manitoba's unemployment will rise. Similarly, when Manitoba's unemployment has been low, it has been at times when national unemployment has been low. Generally, however, Manitoba's unemployment has been lower than for the country as a whole. It should be the object of the Manitoba Government's employment policy to reduce the link between high Canadian unemployment and high Manitoba unemployment as much as possible so that Manitoba's economy will approach full employment regardless of the level of national unemployment.

HOURS OF WORK, EARNINGS, PRICES, AND THE STANDARD OF LIVING

Table 2-10 shows the Average Weekly Hours of hourly-rated wage-earners in manufacturing. Since these figures include over-time in addition to the standard hours of work, the changes in each series reflect changes in economic activity as well as any changes in the basic work week. Generally, the Average Weekly Hours worked in Canada were higher than in Manitoba and Manitoba's were in turn higher than for Winnipeg. Since these differences are fairly consistent throughout the 1960-1971 period, it is reasonable to suggest that they reflect differences in the basic work week, rather than in hours of overtime. Differences in the basic work week are a reflection of differing industrial structures. If the changes in each series are examined over the 1960-1971 period an obvious rise can be seen in each, reaching a peak in 1965. Most of these increases can probably be attributed to the general upswing in the economy in the early 1960's which would have tended to raise the number of hours of overtime worked. The decline in Average Weekly Hours from 1965 to the present reflects the opposite trend. As unemployment has risen from 1965 to the present, the number of overtime hours worked would also tend to decline. In addition, the decline since 1965 could reflect a slight decline in the standard hours worked each week.

The Average Weekly Earnings (Wages and Salaries) earned in industry are shown in Table 2-11 for Canada, Manitoba and Winnipeg. Over the last ten years Average

TABLE 2-10

AVERAGE WEEKLY HOURS OF HOURLY-RATED WAGE-EARNERS, MANUFACTURING, 1960-1971

Year	Canada	Manitoba	Winnipeg
1960	40.4	39.8	40.0
1961	40.6	39.7	39.8
1962	40.7	38.9	39.7
1963	40.8	40.0	39.9
1964	41.0	40.3	40.2
1965	41.1	40.3	40.2
1966	40.8	40.0	39.8
1967	40.3	39.5	39.3
1968	40.3	39.5	39.2
1969	40.0	39.4	39.1
1970	39.7	38.9	38.8
1971	39.7	38.5	38.3

Source: Statistics Canada, ***Review of Man Hours and Hourly Earnings*** (72-202).

Weekly Earnings in Canadian industry have grown at 5.6 percent compared to 5.1 percent in Manitoba and 5.0 percent in Winnipeg. The difference between the Canadian and Manitoba averages in dollar terms has grown from $3.99 to $13.81; however, this is not an adequate reflection to the living standard since the cost of living varies from province to province.

It is possible to show the relative living costs between cities across the country Table 2-12 shows the Inter-city Index Retail Price Differentials as at May, 19 In this table, the base of 100 is set for Winnipeg. For each of seven categories of consumer expenditure the cost of living relative to Winnipeg is given. Th table shows that for all categories of

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TABLE 2-11

AVERAGE WEEKLY EARNINGS (INDUSTRIAL COMPOSITE), 1960-1971

(dollars per week)

Year	Canada	Percent Change	Manitoba	Percent Change	Winnipeg	Perce Char
1960	75.76		71.77		68.72	
1961	78.24	3.3	73.66	2.6	70.69	2.9
1962	80.54	2.9	75.62	2.7	72.44	2.5
1963	83.27	3.4	77.56	2.6	74.28	2.5
1964	86.51	3.9	79.02	1.9	76.28	2.7
1965	91.01	5.2	82.28	4.1	79.07	3.7
1966	96.34	5.9	84.45	2.6	80.63	2.0
1967	102.83	6.7	91.95	8.9	86.81	7.7
1968	109.90	6.9	100.46	9.3	93.50	7.7
1969	117.63	7.0	107.67	7.2	100.80	7.8
1970	126.82	7.8	115.88	7.6	108.84	8.0
1971	137.65	8.5	123.84	6.9	116.89	7.4
(Average 1960-1971)		5.6		5.1		5.0

Source: Statistics Canada, ***Review of Employment and Average Weekly Wages and Salaries*** (72-201)

TABLE 2-12

INTER-CITY INDEXES OF RETAIL PRICE DIFFERENTIALS, AS AT MAY, 1971

(WINNIPEG PRICE LEVEL = 100)

SELECTED GROUPS OF COMMODITIES AND SERVICES

City	Food at Home	Household Operation	Clothing	Trans-portation	Health and Personal Care	Recreation and Reading	Tobacco and Alcohol
St. John's, Nfld.	109	114	105	109	101	97	126
Charlottetown	109	115	101	105	102	101	112
Halifax	103	114	99	104	112	104	111
St. John, N.B.	105	113	104	107	104	103	115
Montreal	99	114	99	111	98	102	99
Ottawa	101	108	98	103	116	98	97
Toronto	99	105	96	103	112	101	97
Winnipeg	100	100	100	100	100	100	100
Regina	104	101	102	99	101	95	101
Edmonton	103	101	98	96	114	100	97
Vancouver	107	112	102	102	118	104	101

Source: Statistics Canada, ***Prices and Price Indexes*** (62-002)

Note: Shelter (both rented and owned), domestic utilities (fuel, light, and water) and restaurant needs are major omissions in this comparison.

consumer expenditure except clothing Winnipeg prices are lower than most large Canadian cities and for clothing, Winnipeg prices are about half way between lowest and highest. For some categories such as household operation, Winnipeg prices are substantially lower than for the rest of the country and since lower prices mean increased purchasing power which in turn has the effect of increasing the real value of wages and salaries, the earnings differential between Manitoba and the rest of the country is not as great as Table 2-11 would suggest.

INVESTMENT EXPENDITURE AND RETAIL TRADE

Two other indicators of Manitoba's economic climate are investment expenditure and the value of retail trade. The former indicates the amount of expenditure by both the public and private sectors on construction and machinery for new capital and the repair of existing capital stock. Table 2-13 shows Total Public and Private Investment in Manitoba for 1960-1971 with a revised estimate for 1972. As can be seen, swings in investment expenditures in Manitoba tend to be erratic. This is partly because investment generally tends to fluctuate much more than other categories of expenditure, particularly consumption. In addition, because Manitoba is a relatively small province investment expenditures in any one year are greatly influenced by large capital projects such as Churchill Forest Industries. This factor tends to reinforce an already irregular investment cycle. From 1960 to 1972, the annual rate of increase of Total Public and Private Investment in Manitoba ranged from 17.2 percent to minus 12.6 percent and averaged 5.6 percent per annum. On the other hand, Retail Trade which is a good indicator of consumption expenditure grew at a slightly slower rate on average, but has been much more stable over the last decade as in Table 2-14. It will be shown in the Taxation Section of this

TABLE 2-13

TOTAL PRIVATE AND PUBLIC INVESTMENT IN MANITOBA, 1960-1972
(Includes New Capital and Repair Expenditures)
(millions of dollars)

Year	Primary Industries and Construction	Manufacturing	Utilities	Trade, Finance and Commercial Services	Housing	Institutional Services and Government Departments	Total	Percent Change
1960	114.6	64.3	178.2	64.4	96.1	140.8	658.4	
1961	102.0	45.2	151.2	54.3	89.4	142.6	584.7	12.6
1962	114.7	44.7	170.2	57.1	78.2	131.5	596.4	2.0
1963	132.7	48.8	208.5	61.6	90.3	133.5	675.4	13.2
1964	150.2	61.0	190.9	54.1	115.0	148.1	719.3	6.5
1965	159.6	76.7	173.7	64.2	114.4	145.6	734.2	2.1
1966	183.2	93.7	201.2	79.9	108.6	193.5	860.2	17.2
1967	203.1	89.7	271.3	81.8	120.9	180.4	947.2	10.1
1968	202.0	108.7	334.1	67.6	131.6	207.6	1051.6	11.0
1969	212.0	116.0	296.8	92.5	186.4	244.5	1148.2	9.2
1970	198.0	140.7	283.1	93.3	183.6	234.1	1132.8	-1.3
1971*	188.9	84.9	273.1	78.3	216.4	234.7	1076.3	-5.0
1972**	192.1	83.4	339.6	85.0	254.1	275.9	1230.1	14.3
(Average 1960 to 1972)								5.6

* preliminary actual figure
**revised intentions (mid-year review) figures

Source: Statistics Canada, *Private and Public Investment in Canada, Outlook and Regional Estimates* (61-205)
Private and Public Investment in Canada, Outlook, Mid-Year Review (61-206)

chapter that the relatively high stability of consumption expenditure compared to the erratic investment cycle can have important implications for economic policy. In particular, it will be argued that the long run growth and stability of the economy can be best assured by stimulating consumption expenditure through a redistribution of income rather than attempting to induce growth by stimulating investment through a variety of incentives and subsidies.

TABLE 2-14

VALUE OF RETAIL TRADE, 1961-1971
(millions of dollars)

Year	Manitoba	Percent Change	Canada	Percent Change
1961	766.7		16,073.0	
1962	800.9	4.5	17,137.2	6.6
1963	827.5	3.3	18,207.1	6.2
1964	872.8	5.5	19,492.9	7.1
1965	917.9	5.2	21,154.6	8.5
1966	1006.5	9.7	22,686.4	7.2
1967	1073.3	6.6	24,154.8	6.5
1968	1118.0	4.2	25,710.8	6.4
1969	1159.2	3.7	27,324.7	6.3
1970	1227.4	5.9	28,033.9	2.6
1971	1318.2	7.4	30,646.1	9.3
(Average 1961-1971)		5.6		6.7

Source: Statistics Canada, ***Retail Trade*** (63-517, 63-519)

Note: 1961-65 data is based on 1961 census information while data from 1966 is based on 1966 census definitions.

THE CHANGING STRUCTURE OF THE ECONOMY

Over the last decade, there have been pronounced changes in the structure of the Manitoba economy. In 1961, total employment in industry was 283.6 thousand. By 1970 that total had increased to 347.5 thousand. During the period 1961-1970, however, not all sectors increased their absolute or relative number of employees. Primary employment declined in absolute terms from 64.9 to 57.7 thousand. Most of this decline was due to an estimated decrease in Agricultural employment of 10.4 thousand which was partially offset by an increase in Mining employment. Secondary employment increased by 13.6 thousand during that period of time, from a 1961 level of 97.8 thousand to a 1970 level of 111.4 thousand. While the average annual rate of increase in secondary employment was 1.3 percent, the comparable rate for the tertiary sector was 4.0 percent, that is, an absolute increase of 57.7 thousand, representing more than the total employment of Agriculture for 1970, raising the total service sector employment from its 1961 total of 120.9 thousand to its 1970 total of 178.4 thousand.

The fact that in 1961 the service sector accounted for 42.6 percent of total employment, while in 1970 its share of the employed labour force had risen to 51.3 percent, clearly shows the increasing significance of this sector in Manitoba. This relative increase in service employment was offset by declines in the shares of the primary (22.9 percent to 16.6 percent) and secondary (34.5 to 32.1) sectors of the employed labour force. Recognition of the declines in the proportion of persons employed in the primary and secondary sectors should not ignore the increase in employment in mining nor the increase in secondary employment. A summary of the figures used in the discussion above can be found in Tables 2-15 and 2-16.

TABLE 2-16

SECTORAL EMPLOYMENT AS A PERCENTAGE OF TOTAL EMPLOYMENT, MANITOBA 1961, 1970

Sector	Percentage	
	1961	1970
Primary	22.9	16.6
Secondary	34.5	32.1
Tertiary	42.6	51.3
TOTAL	100.0	100.0

TABLE 2-15

ESTIMATES OF EMPLOYEES BY INDUSTRY, MANITOBA – 1961-1970
(thousands)

Sector and Industry	1961	1970*
PRIMARY	64.9	57.7
1. Agriculture	59.3**	48.9***
2. Forestry	1.0	.8
3. Mines, quarries and oil wells	4.6	8.0
SECONDARY	97.8	111.4
4. Manufacturing	40.0	49.5
(a) Non-durables	25.1	28.2
(b) Durables	14.9	21.4
5. Construction	12.9	16.3
(a) Building		5.3
(b) Special Trade Contractors		8.0
(c) Highways, Bridges and Streets and Other		3.0
6. Transportation, Communication and Other Utilities	44.9	45.6
(a) Transportation		30.1
(b) Communication and Other Utilities		15.4
TERTIARY	120.9	178.4
7. Trade	41.7	57.2
(a) Wholesale		19.4
(b) Retail		37.8
8. Finance, Insurance and Real Estate	10.0	13.5
9. Community, Business and Personal Services	52.8	87.1
(a) Non-commercial sector	32.8	53.2
(b) Commercial sector	20.0	33.9
10. Public Administration and Defence	16.4	20.6
TOTAL	283.6	347.5

Source: Statistics Canada, *Estimates of Employees by Province and Industry* (72-008)

Note: *1970 is the last complete year of data.
**1961 Census estimate.
***Internal estimate only.

ECONOMIC POLICY

Three key areas of economic policy which govern this Government's attitude to a wide range of policy decisions are examined in this section. The first is a commitment to full employment. The second is the Government's belief that the tax system must be continuously reformed on the basis of the ability to pay principle. The third area of concern is migration, particularly rural depopulation and its social costs.

EMPLOYMENT

This Government believes that unemployment in Manitoba can be further reduced over the next eight years. Despite the constraints of federal and foreign economic policies, the goal of the Government is to develop the capacity of the provincial economy so that all those who wish to work in Manitoba will be able to do so.

(a) Inflation and Unemployment

In recent years, there has been a drastic rise in the number of unemployed persons in Manitoba and throughout Canada. Federal policies designed to combat inflation have contributed significantly to unemployment.

The inflation which began in the United States in the 1960's was a result of the large increases in domestic social spending and the costly involvement in the Viet Nam war. These inflationary pressures were imported into Canada through the close links between their large economy and our much smaller one. Until the middle of 1970, the price of our dollar was fixed in terms of U.S. dollars allowing higher priced American imports to push up Canadian prices. In addition, the institutional links through business and labour, and psychological links through similar expectations and tastes made difficult any Canadian attempt to avoid these inflationary pressures, especially at a time when Canadians were preparing for Expo '67 and Centennial celebrations.

The Canadian federal government adopted a strong anti-inflation policy in 1969, taking measures to cut back aggregate demand and trying, through the Prices and Incomes Commission, to persuade Canadians to hold back price increases. As predicted by many, the results of the reductions in aggregate demand were that economic activity was depressed; production was cut back; and unemployment soared. The Organization for Economic Co-operation and Development has estimated that high unemployment cost Canada $5 billion of lost production in 1971 alone.

Besides this economic cost of allowing productive manpower to remain unemployed, unemployment has high social costs. Those hardest hit by unemployment are usually those least able to afford it and are often those hardest hit by rising prices. Unemployment is particularly severe for workers on the fringe of the labour force who are often the objects of heavy investments in education and training. The federal anti-inflation policies ignored regional and sectoral differences pushing up unemployment in areas where it was already chronically high.

(b) Manitoba's Position

During this period, the Manitoba Gover
ment advocated a policy of selective measures to support expansion in areas which needed development, while stabili
ing activities in others. Manitoba favour
credit and investment controls, and the direction of capital toward socially nece
sary projects such as housing. Also the Government recommended denying corporations income tax deductions on suc
less-essential expenditures as advertising and promotion. Finally, immediate cas
support for farmers in difficulty was advocated to aid the transition from non-marketable production to more productiv
enterprise.

Nevertheless, the same pattern of federa
policies persisted. As a result, the seaso
ally-adjusted unemployment rate has be
at or above six percent of the labour for
for every month but two since April of 1970. In September of 1972 it reached its highest level in 11 years. This increas
cannot be blamed on an abnormally larg
growth of the labour force. In fact, the 2.9 percent increase in the labour force between August 1970 and August 1971 was significantly lower than the growth in 1965-66 (4.2 percent) or in either of the years before or after that period (3.8
percent each). Yet, from 1964 to 1967, the average annual unemployment rate nationally ranged from 3.6 percent to 4.7 percent, compared to the 1971 rate of 6.4 percent.

This suggests that when unemployment is low, and employment is growing rapid
ly, large increases in the labour force ca
be absorbed. However, when unemploy-

ment is high, even ordinary increases in the labour force cannot be absorbed.

The growth of unemployment in Manitoba has generally paralleled the national trend. The actual number of unemployed persons reached a peak of 25,000 in January, 1972, but the 1972 average was about 1,000 less than the 1971 level of 19,000. However, these figures from Statistics Canada's *Labour Force Survey* tend to underestimate the real number affected. The *Labour Force Survey* does not adequately reflect employment because it underestimates underemployment (e.g. – a farmer working part time in the winter; a person working less than a full week during the survey period) and does not include reserve Indians, who are chronically unemployed. The actual numbers of unemployed and involuntarily underemployed are therefore larger than indicated by Statistics Canada, particularly in a province like Manitoba with a large agricultural sector and a high population of reserve Indians.

Because of the federal government's control over monetary policy and because the impact of its fiscal policy is greater than that of the provinces, the federal government has a much greater capacity to combat unemployment than the provincial governments. Therefore, expansionary and interventionist activity to create full employment should first be a responsibility of the federal government. However, because the federal government has not fulfilled this responsibility and has indeed created high unemployment during 1969 to 1973, the Manitoba government has itself intervened. Provincial programs to provide jobs in winter have been developed on a large scale: student summer employment programs have reduced the seasonal problem in the summer; a deliberately expansionary budget has been used for its year round effects on employment. The Provincial Employment Program and the Capital Works Acceleration Program have helped to reduce unemployment significantly in the past two winters and should have even greater impact this winter. A new $14 million special loan fund for municipalities has been established to boost local employment by encouraging additional capital projects over the next two and a half years. Municipalities will be able to deduct 100 percent of on-site labour costs incurred during the winter months and 50 percent of their labour costs in the summer. In addition, municipalities will be allowed favourable interest rates on the amount of the loan they are required to repay. The advantages of this kind of program are that labour-intensive capital projects are developed which encourage as much work as possible in the winter months while ensuring the continuity of construction during the summer. In addition, the program covers a sufficiently long period of time to allow municipalities to plan for their needs over several winters.

(c) Future Employment Policies

It is still not currently possible for the Manitoba government to create full employment in the province when unemployment is high across the country. However, in the years to come the Manitoba government will be developing its capacity to *guarantee* jobs to those who wish to work, regardless of the federal policies which may prevail.

The goal of the provincial government is to bring about as full an employment pattern as possible. There will, of course, always be a degree of unemployment as people leave one job to look for another. Neither federal nor provincial government policies can eradicate this.

In working toward the goal of full employment, the provincial Government intends to establish a Guaranteed Employment System which will act as a residual employer for all unemployed persons looking for work. Through a variety of programs, those who want to work will find socially useful employment. It is not the intention of the Government to deal only with those unemployed because of generally high national unemployment. Significant inroads will also be made on the ranks of those chronically unemployed, particularly the disadvantaged, many of whom are native people.

It will not happen overnight. The techniques of full employment policy will have to be greatly refined. Different programs will have to be applied to employ persons with varying needs and skills. The overall aim of the Government, though, is to guarantee that long before 1980 the capacity will have been developed to ensure that anyone willing and able to work will be provided with a job.

The Province's commitment to full employment will require an integration of planning for manpower policy, fiscal policy and development policy.

Manpower policy will be directed primarily towards ensuring employment for the disadvantaged, particularly native people. This will be carried out regardless of the level of provincial unemployment. The other major thrust of manpower policy will be the establishment of a short-term residual employment mechanism to guarantee work to those unemployed because aggregate demand in the national economy is insufficient to ensure full employment.

This residual employment function will grow out of the government's current employment programs, which are now aimed mainly at reducing the high level of seasonal unemployment in the winter. The seasonal nature of these programs should shift to a year-round basis, and their scope should be enlarged to form the Guaranteed Employment System. Such a system would act as a temporary employer of last resort, providing socially useful jobs to the unemployed and disadvantaged, and providing comprehensive training and job creation programs to assist the disadvantaged in entering full and equal participation in the labour market. (See Chapter 3, Employment and Manpower).

Provincial government fiscal policy, while less powerful than federal fiscal policy can still have a significant impact on the level of provincial aggregate demand. In times of high unemployment the Province will adopt an expansionary budget to stimulate the economy. There is no reason why revenues must be arbitrarily set equal to expenditures in any particular year. The size of the provincial deficit (or surplus) will have an effect on the economy in helping to expand (or to contract) the level of economic activity in the province. In determining the provincial budget each year, the government must necessarily take this into account. Failure to do so can make provincial fiscal policy perverse and harmful in relation to the needs of the times. The object of fiscal policy therefore will be to balance the economy rather than balancing the budget, in an effort to achieve real progress towards full employment. In times of high unemployment, an expansionary budget is called for. Much of the increase in government spending will go directly to provide funds for the government's employment programs, thereby increasing the income of those who need it most, the unemployed.

Manpower and fiscal policy aimed at cresting full employment will be reinforced by the development of an industrial strategy designed to expand the province's economic potential and to provide employment across the province with the proper balance between regions and sectors. All the tools of a mixed economy will be used. Special attention will be paid to those industries which have the greatest potential for creating jobs. For instance, this will mean a greater emphasis on manufacturing and services industries as compared to resource-exploitation industries which are capital intensive and do not create s many jobs in relation to a given mount of capital investment. In addi- ion, the decentralization of provincial overnment activity to various regions, s discussed in later chapters, and the ublic involvement in job creation ctivities in rural and northern Manitoba also discussed later) will contribute toward a better distribution of employment pportunities across the province.

While it is technically possible for a provincial government to carry out a commitment to ensure full employment, it will nonetheless be true that federal economic policy will have a tremendous impact on the scope of provincial action and on the productivity of the employment generated by the Province. If the federal government were to maintain the economy at full employment, that is if it provided employment for all persons in the labour force with the exception of those persons moving from one job to another, then the provincial government would only have to provide training and employment to those disadvantaged persons not normally included in the labour force. However, if federal economic policy is perverse, then the provincial government will have the additional task of providing employment to those who cannot find work because of a deficiency of aggregate demand in the national economy. This provincially-created employment will be sufficient to restore the provincial economy to full employment and will raise aggregate provincial income to a higher level than would occur without provincial intervention. However, this level of aggregate provincial income will nonetheless be lower than the level that would occur if the federal government maintained a level of aggregate demand sufficient for full employment across the country. If the province must intervene to create full employment, then Manitobans will benefit from a higher level of income. If the federal government decides at some later time to raise aggregate demand in the economy to the full employment level, then provincial income will rise even further. The Government's first commitment must therefore be to persuade the federal government to pursue full employment policies for this will ensure Manitobans the highest level of aggregate provincial income. Failing that, the Manitoba Government must act on its own to restore the provincial economy to full employment.

In addition to stimulating the economy to guarantee jobs to those already in the labour force, the province should take steps to bring more people into the labour force through an expansion of its manpower programs. The commitment of the Manitoba Government should be to find forms of socially productive activity for all those who wish to work, including disadvantaged persons who may now not be participating in the labour market because there are no jobs available or because they lack necessary skills. This group includes unemployed and underemployed Indians and Metis and farmers, handicapped persons, and many rural Manitobans, particularly women, who have not entered the labour force because of a lack of rural employment opportunities.

The location and expansion of industries in outlying areas will be actively encouraged by the provincial government, whether these industries are private, public or co-operative in nature. The encouragement given by the province to municipal development corporations and to local co-operative enterprises, as well as the decentralization of provincial government activities to regional points, will make more employment opportunities available to those in rural areas.

TAXATION POLICY

In committing itself to improving the equality of the human condition in Manitoba, the Government will take further positive steps to restructure the system of taxation according to the ability to pay principle. In 1971-72 over $560 million was raised from tax sources directly controlled by the provincial and municipal governments (See Table 2-17). Further revenue was received in transfers from the federal government as Equalization Payments and Shared Cost Receipts, but the provincial government has little control over how these funds are raised. The largest single source of tax revenue for the provincial governments and municipal governments (which are the creation of the Province) has been the property tax. Yet, property taxation is a most regressive form of taxation. It is regressive because low income earners pay a higher portion of their income in taxes than do persons earning higher incomes.

In annual submissions to provincial governments, municipal and school board representatives have consistently called for the shifting of the burden of taxation on real property over to an ability to pay basis.

TABLE 2-17

PROVINCIAL AND MUNICIPAL GOVERNMENT REVENUE FROM TAXATION
(Including Commissions Retained by Revenue Agents)
(millions of dollars)

PROVINCIAL GOVERNMENT	1970-71	1971-72
1. Personal Income Tax*	106.1	129.4
2. Revenue Tax 1967 ("Sales Tax")	68.4	74.8
3. Gasoline Tax	39.3	40.7
4. Corporation Income Tax*	30.8	37.2
5. Liquor Control Commission Profits	30.2	31.2
6. Medical and Hospital Premiums**	28.8	29.1
7. Motor Vehicle Licenses and Permits	13.0	12.6
8. Tobacco Tax	9.1	9.4
9. Motive Fuel Tax	6.9	7.5
10. Revenue Tax, 1964, Part I	5.0	5.3
11. Estate Tax	4.9	4.9
12. Mining Royalty Tax	4.4	2.1
13. Insurance Corporations Tax	2.4	2.3
14. Public Amusements Tax	1.9	2.0
15. Mineral Claim Lease Tax	.1	.1
16. Mineral Tax	.1	.1
TOTAL	351.4	388.7
MUNICIPAL GOVERNMENTS	1970	1972
1. Residential Property Tax	68.9	80.8
2. Farm Property Tax	21.9	22.4
3. Other Property Tax	47.8	58.9
4. Business Tax	9.6	11.5
TOTAL PROPERTY TAXES	148.2	173.6
TOTAL PROVINCIAL AND MUNICIPAL GOVERNMENTS	***	562.3

Source: Manitoba Department of Finance

[*] The income tax revenues in Table 2-17 differ from the amounts reported in the Manitoba Public Accounts because of the treatment of revenues resulting from one month speed-up in income tax collections. Amounts of $10,128,600 re individual income tax and $2,464,900 re corporation income tax are included in 1970-71 revenues in Public Accounts. However, as these revenues were of a non-recurring nature and as they were surplus to 1970-71 financial requirements and subsequently reflected in the 1971-72 revenue estimates, these amounts have been included in 1971-72 revenue in this table.

[**] Medical and hospital premiums reflect calendar year receipts as reported in the annual reports of the Manitoba Health Services Commission; i.e. 1970 receipts are included in 1970-71 data, 1971 receipts are included in 1971-72 data.

[***] Total is not shown because municipal government data is two years apart (1970 and 1972).

If the tax system is to be reformed, progressive alternatives to the property tax will have to be found. Clearly these alternatives require a continued reliance on personal and corporate income taxes. Careful alteration of the sources and structure of taxation is needed, based on the ability to pay principle, to break the present dependence on regressive tax sources and to ensure that additional tax revenue raised is from progressive sources. This alone will give Manitoba a tax system which contributes to equality, rather than increasing the income disparities which have existed in the past.

(a) Present Situation

An analysis by the Department of Finance of how the provincial and municipal tax system affects Manitoba families shows that large parts of the system are regressive.

On a tax-by-tax basis, the provincial personal income tax, which is the second largest revenue source, was found to be clearly progressive. The Revenue Tax Act, 1967 (5 percent sales tax) is regressive overall in terms of income, although the exemptions on food and shelter do aid lower income families, which allocate a smaller share of their total consumption expenditure on taxable items than do families with higher incomes. Other provincial taxes on consumption, such as Liquor Control Commission "trading profits", tobacco, gasoline and public amusement taxes are regressive in varying degrees. Medical and hospital premiums, eliminated this year, were still a highly regressive form of taxation, even after the premium reduction in 1969. Corporation taxes are regressive over low income groups to the extent that corporations pass on the tax to consumers in the form of higher prices and are progressive in the high income range to the extent that the tax is born by the corporations' shareholders.

Residential and farm property taxes are highly regressive and since the property tax is both the largest source of tax revenue in the provincial tax system and a very regressive form of tax, it deserves consideration in detail. The property tax takes two basic functional forms. The residential tax is a consumption tax on the services which residential property yields, in other words, shelter. The remaining property taxes, whether they are industrial, commercial or agricultural, are basically production taxes on the output yielded by that property.

In the final analysis, all property taxes are paid by individuals, whether owners of property or not. The residential property owner pays directly, while the tenant pays indirectly through his rent. Taxes on production, however, may be paid by the consumer, the employee or the owner himself. In the case of industrial and commercial enterprises, the owner can often pass the burden on to the consumer in the form of higher prices. If he is unable to raise his price, the owner may be able to shift the burden backward onto his employees through lower wages. Failing either of these alternatives, he must absorb the burden himself.

The farm property tax is an example of a production tax. Since farmers lack the control over the marketplace to pass property taxes on to the consumer through higher prices, the burden of farm property taxes falls on the farmers themselves. Since farm incomes are generally low, particularly in relation to farm assessments, the farm property tax is highly regressive.

In addition to bearing the burden of property tax on farms, farmers face a rate of tax that is proportionately much higher than on other forms of production even though farm residences are not taxed and property taxes paid are deductible for income tax purposes. In farming, real property is a highly utilized factor of production compared to other industries. The ratio of tax to output is therefore much higher in farming than in other businesses. In Manitoba, property taxes on farm land are roughly equivalent to 6.5 percent of the gross sales of farm products. By comparison, business and property taxes in the City of Winnipeg are equivalent to between 2.5 and 4.0 percent of gross sales. There are, of course, substantial variations among various types of business establishments.

The residential property tax is regressive for two reasons. The tax itself is based on assessment which is roughly proportional to the value of residential property in any particular municipality. However, since people with lower incomes spend a higher percentage of their income on shelter than do people earning higher incomes, the effect of the residential property tax is regressive. As a result, lower income groups tend to pay higher residential property taxes in relation to their income than do higher income groups.

The reform of property taxation is necessary not only because it is regressive, but also because it has a regional bias. In attempting to provide reasonal municipal services and educational opportunities, municipal governments and school divisions have pushed the tax burden to its highest levels in those areas where the capacity to tax is lowest. For example, the real property tax on single dwellings amounts to a consumption tax on the annual value of shelter. In cities, this comes to about 20 percent of the value of such shelter, whereas in towns it is approximately 30 percent and in villages, 50 percent. The excessive residential property tax burden outside Winnipeg, and the high tax on farm property, have important implications for the *stay option.* Not only will government services have to be provided on a more equitable basis across the regions of the province, but the raising of revenue to supply them will also have to be altered so that it is regionally balanced.

(b) More Progressive Tax Policies

To correct the present inequalities, the first preference of the Manitoba Government would be to abolish residential and farm property taxes levied for school purposes. If the income tax could be made as progressive as desirable, the removal of residential and farm property taxes and the refinancing of the revenue required through income tax would be the best approach. This is the Government's long term goal.

In working toward that goal, Manitoba will continue to press the federal government at every opportunity to make the whole income tax system more progressive. The Manitoba Government has repeatedly urged the federal government to allow Manitoba to determine the rate of progressivity that applies to the provincial portion of the income tax. When general renegotiations begin on the Tax Collection Agreement, Manitoba will insist on this point. Failing substantial progress in this area, the establishment of our own more progressive system independent of the federal government must be considered. When the income tax is made more progressive, it should be possible to eliminate property taxes on farms and residences. This would require providing new revenue sources for municipal governments and school divisions.

In the meantime, provincial policy will be to redistribute the burden of property tax as much as possible by extending the property tax credit system so that the regressive burden of all residential and farm property taxes paid by persons in low and middle income brackets is eliminated. For persons with low incomes, whether they are urban workers, pensioners or farmers, this will mean that the burden of property tax is lifted entirely. For middle-income persons it will mean a substantial reduction in property tax.

This government has already taken steps in the past to redistribute income by altering the burden of property taxation. Twice the Province's share of the Education Foundation Program grant has been increased, first from 70 percent to 75 percent in 1970 and in 1973 from 75 percent to 80 percent. The effect of these changes has been to reduce the Foundation Program property tax levy by about $6 to $8 million each time. A further progressive step was the School Tax Reduction Act which provided for the rebate of one-half of education property taxes paid in 1972 to a maximum of $50. Over $12 million was distributed to homeowners and tenants either as a direct reduction of their property tax bills or their rents.

The most significant step to date has been the Education Property Tax Credit Plan just mentioned. This plan provided for payment of tax credits ranging from $50 to $140 based on the amount of education property taxes paid by individuals, either directly as in the case of landowners, or indirectly through rents in the case of tenants. The size of the credit is in turn related to the individual's taxable income. Credits are now being paid to income tax filers who occupy a dwelling unit in the province on which education property taxes have been paid.

The tax credit plan will involve the rebating of $25 to $30 million in 1973 (on 1972 education property taxes). For 1973 property taxes, the plan will be significantly expanded with total credits of approximately $42 million. The maximum credit will be increased to $200 and the minimum raised to $100. The base of the 1973 plan will be extended to cover general municipal property taxes in addition to education property taxes. This latter step will allow many low income persons particularly in small, less affluent communities to claim their maximum credit. It has been estimated that the enlarged 1973 tax credit will raise average benefit $60 above the 1972 level.

Given that 1973 property tax bills are payable this summer and that the enlarged benefits of the tax credit plan would not be available until the spring of 1974, the government has developed a tax credit advance system to help home-

TABLE 2-18
MANITOBA PROPERTY TAX CREDIT*
1973
(dollars)

Gross Income	Single Taxpayer	Married Taxpayer	Married Taxpayer 2 Dependents Under Age 16
$ 1,000	$200	$200	$200
1,500	200	200	200
2,000	198	200	200
2,500	193	200	200
3,000	188	200	200
3,500	183	197	200
4,000	178	192	198
4,500	173	187	193
5,000	169	183	189
6,000	159	173	179
7,000	149	163	169
8,000	139	153	159
9,000	129	143	149
10,000	119	133	139
11,000	109	123	129
12,000	100	113	119
13,000	100	103	109
14,000 and over	100	100	100

*Basic credit of $200 less one percent of taxable income (minimum $100)
All examples assume sufficient school and municipal property taxes or rental equivalents to qualify for these benefit levels.
February 19 Federal Budget changes taken into account.
Source: Department of Finance

TABLE 2-19, PART A

COMPARISON OF YEARLY PROVINCIAL TAX LIABILITIES – FORMER GOVERNMENT IN 1969 AND PRESENT GOVERNMENT IN 1973 (AFTER 1973 BUDGET)

Family of 4 (Married Taxfiler, Spouse, 2 Children Under 16)

	Taxes Under Former Government (1969)			Taxes Under Present Government (1973 – After 1973 Budget)				Tax Savings 1973 Over 1969
Yearly Gross Income	Personal Income Tax (33 percent)	Health Insurance Premiums	Total Taxes	Personal Income Tax (42.5 percent)	Health Insurance Premiums	Tax Credit	Total Taxes	Difference between yearly tax liability in 1969 and in 1973
$2,000	0.00	204.00	204.00	0.00	0.00	(200.00)	(200.00)	$404.00 SAVING
4,000	50.00	204.00	254.00	11.00	0.00	(198.00)	(187.00)	441.00 SAVING
6,000	158.00	204.00	362.00	164.00	0.00	(179.00)	(15.00)	377.00 SAVING
8,000	296.00	204.00	500.00	339.00	0.00	(159.00)	180.00	320.00 SAVING
10,000	459.00	204.00	663.00	527.00	0.00	(139.00)	388.00	275.00 SAVING
12,000	647.00	204.00	851.00	732.00	0.00	(119.00)	613.00	238.00 SAVING
15,000	987.00	204.00	1191.00	1072.00	0.00	(100.00)	972.00	219.00 SAVING
20,000	1685.00	204.00	1889.00	1767.00	0.00	(100.00)	1667.00	222.00 SAVING
50,000	6628.00	204.00	6832.00	6729.00	0.00	(100.00)	6629.00	203.00 SAVING

TABLE 2-19, PART B

COMPARISON OF YEARLY PROVINCIAL TAX LIABILITIES – FORMER GOVERNMENT IN 1969 AND PRESENT GOVERNMENT IN 1973 (AFTER 1973 BUDGET)

Married Couple (Married Taxfiler, Dependent Spouse)

	Taxes Under Former Government (1969)			Taxes Under Present Government (1973 – After 1973 Budget)				Tax Savings 1973 Over 1969
Yearly Gross Income	Personal Income Tax (33 percent)	Health Insurance Premiums	Total Taxes	Personal Income Tax (42.5 percent)	Health Insurance Premiums	Tax Credit	Total Taxes	Difference between yearly tax liability in 1969 and in 1973
$2,000	0.00	204.00	204.00	0.00	0.00	(200.00)	(200.00)	$404.00 SAVING
4,000	78.00	204.00	282.00	53.00	0.00	(192.00)	(139.00)	421.00 SAVING
6,000	195.00	204.00	399.00	215.00	0.00	(173.00)	42.00	357.00 SAVING
8,000	340.00	204.00	544.00	392.00	0.00	(153.00)	239.00	305.00 SAVING
10,000	510.00	204.00	714.00	585.00	0.00	(133.00)	452.00	262.00 SAVING
12,000	706.00	204.00	910.00	796.00	0.00	(113.00)	683.00	227.00 SAVING
15,000	1066.00	204.00	1270.00	1151.00	0.00	(100.00)	1051.00	219.00 SAVING
20,000	1774.00	204.00	1978.00	1856.00	0.00	(100.00)	1756.00	222.00 SAVING
50,000	6737.00	204.00	6941.00	6837.00	0.00	(100.00)	6737.00	204.00 SAVING

TABLE 2-19, PART C

COMPARISON OF YEARLY PROVINCIAL TAX LIABILITIES – FORMER GOVERNMENT IN 1969 AND PRESENT GOVERNMENT IN 1973 (AFTER 1973 BUDGET)

Single Person (Single Taxfiler – No Dependents)

	Taxes Under Former Government (1969)			Taxes Under Present Government (1973 – After 1973 Budget)				Tax Savings 1973 Over 1969
Yearly Gross Income	Personal Income Tax (33 percent)	Health Insurance Premiums	Total Taxes	Personal Income Tax (42.5 percent)	Health Insurance Premiums	Tax Credit	Total Taxes	Difference between yearly tax liability in 1969 and in 1973
$2,000	33.00	102.00	135.00	15.00	0.00	(198.00)	(183.00)	$318.00 SAVING
4,000	133.00	102.00	235.00	166.00	0.00	(178.00)	(12.00)	247.00 SAVING
6,000	267.00	102.00	369.00	339.00	0.00	(159.00)	180.00	189.00 SAVING
8,000	424.00	102.00	526.00	527.00	0.00	(139.00)	388.00	138.00 SAVING
10,000	607.00	102.00	709.00	732.00	0.00	(119.00)	613.00	96.00 SAVING
12,000	820.00	102.00	922.00	954.00	0.00	(100.00)	854.00	68.00 SAVING
15,000	1198.00	102.00	1300.00	1335.00	0.00	(100.00)	1235.00	65.00 SAVING
20,000	1922.00	102.00	2024.00	2064.00	0.00	(100.00)	1964.00	60.00 SAVING
50,000	6918.00	102.00	7020.00	7093.00	0.00	(100.00)	6993.00	27.00 SAVING

Note: Standard exemptions and deductions assumed in calculations.

Parentheses ( ) indicate negative amounts.

Tax credit totals shown assume sufficient property taxes or rental equivalents to qualify for these benefit levels.

Source: Department of Finance.

owners meet the immediate cost of their 1973 property tax bills. Under the tax redit advance, the minimum credit amount of $100 will be deducted from the 1973 tax bills for the principal residences of Manitoba property owners. For those homeowners whose school and municipal taxes are less than $100, no taxes will be payable at all. The amount of the 1973 tax credit advance will be taken into account when credit applications are filed with 1973 income tax returns next year.

For tenants, whose property taxes are included in their rent, the full amount of the credit (based on 20 percent of their rental payments) will be payable when their 1973 income tax returns are filed in the spring of 1974.

The effect of the 1973 Property Tax Credit on various income and family groups is shown in Table 2-18. The Property Tax Credit represents the largest single program introduced by the current Manitoba government to date to redistribute income and reduce tax burdens. Throughout the "tax reform" debate, Manitoba has argued that a system of tax credits, rather than exemptions, should be built into the personal income tax structure. With the co-operation of the federal government, Manitoba has been able to use the income tax system as a vehicle for redistributing income. Now that the principle and the administrative apparatus are accepted, further initiatives in this field should be possible to establish a truly progressive provincial tax system.

In late 1969, the province reduced medicare premiums, a very regressive tax, by 88 percent from $117.60 per year for a family to $13.20 per year. Hospital insurance premiums remained at $86.40 per year so that the effect on the combined medical and hospital premiums was a reduction of 50 percent. The revenue lost from the 1969 premium reduction was financed by increasing the provincial personal income tax in 1970 from 33 percent of federal basic tax to 39 percent, and increasing the corporation tax from 11 percent of taxable corporate income to 13 percent. This represented a shift of approximately $28 million a year from a regressive to a progressive tax base.

In 1973, the Province has moved to completely eliminate medical and hospital premiums for all Manitobans. This means a tax reduction of an additional $25 million per year. For a family, the saving

TABLE 2-20

COMPARISON OF ANNUAL PERSONAL INCOME TAXES AND HEALTH INSURANCE PREMIUM TAXES

Ontario, Manitoba, Saskatchewan, Alberta, British Columbia
(Comparison Based on 1973 Tax Rates)

Family of 4 (Married Taxfiler, Spouse, 2 Children Under 16)

	MANITOBA BEFORE 1973 BUDGET			MANITOBA AFTER 1973 BUDGET			ONTARIO			SASKATCHEWAN			ALBERTA			BRITISH COLUMBIA		
Family's Yearly Gross Income	Income Tax (42.5 percent)	Premium Tax*	Total Taxes	Income Tax (42.5 percent)	Premium Tax	Total Taxes	Income Tax (30.5 percent)	Premium Tax	Total Taxes	Income Tax (40.0 percent)	Premium Tax	Total Taxes	Income Tax (36.0 percent)	Premium Tax	Total Taxes	Income Tax (30.5 percent)	Premium Tax	Total Taxes
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
$ 2,000	0	100	100	0	0	0	0	0	0	0	72	72	0	48	48	0	15	15
3,000	0	100	100	0	0	0	0	0	0	0	72	72	0	48	48	0	15	15
4,000	11	100	111	11	0	11	8	132	140	11	72	83	10	72	82	8	75	83
5,000	82	100	182	82	0	82	59	132	191	78	72	150	70	138	208	59	150	209
6,000	164	100	264	164	0	164	117	264	381	154	72	226	139	138	277	117	150	267
7,000	249	100	349	249	0	249	179	264	443	235	72	307	211	138	349	179	150	329
8,000	339	100	439	339	0	339	243	264	507	319	72	391	289	138	427	243	150	393
9,000	429	100	529	429	0	429	308	264	572	404	72	476	364	138	502	308	150	458
10,000	527	100	627	527	0	527	378	264	642	496	72	568	446	138	584	378	150	528
11,000	626	100	726	626	0	626	449	264	713	589	72	661	530	138	668	449	150	599
12,000	732	100	832	732	0	732	526	264	790	689	72	761	620	138	758	526	150	676
15,000	1,072	100	1,172	1,072	0	1,072	769	264	1,033	1,009	72	1,081	908	138	1,046	769	150	919

*The former Manitoba yearly premium of $99.60 has been rounded to $100 to simplify the comparison.

This table shows that, after the elimination of health insurance premiums in Manitoba, "personal taxes" (personal income taxes plus premiums) are lower in Manitoba than in Ontario and Alberta for families of four with incomes up to almost $15,000. They are lower in Manitoba than in Saskatchewan for families with incomes up to slightly over $15,000, and they are lower in Manitoba than in British Columbia for families with incomes up to about $10,000. Because approximately 75 percent of Manitoba families of four have incomes of $10,000 or less, these figures show clearly that personal taxes in Manitoba are among the lowest in Canada for most families.

means an additional $100 per year, and for a single person, $50.

The impact of this government's major tax changes for different income classes and family situations is shown in Table 2-19. The combined effect of the Property Tax Credit and the elimination of medicare and hospital premiums has meant significant tax reductions, particularly for low and middle-income groups.

For a family with two children the saving amounts to over $400 per year for those earning less than $4,000. In fact, the savings exceeds the total provincial personal income tax for a family of four earning $6,000 or less. The effect of these tax changes has been clearly progressive. Those with low incomes receive the highest benefits, both in terms of the number of dollars and as a percentage of their income.

As a result of the elimination of medicare and hospital premiums, *Manitoba's "personal" taxes i.e. personal income tax and health premiums, for most people are among the lowest in Canada.* Table 2-20 compares the personal income taxes and premiums of Manitoba, Ontario, Saskatchewan, Alberta, and British Columbia for a family of four. After Manitoba's premiums are eliminated, personal taxes up to the $10,000 income level will be lower than in any other province where premiums are levied. Since about 75 percent of Manitoba families have incomes below this level, a large majority of Manitobans will pay lower personal taxes than persons in other provinces which continue to levy premiums.

These steps taken together represent a large and progressive shift in the burden of taxation in Manitoba. The direction for the future is clear. The Education Property Tax Credit Plan has been extended, the burden of property taxation should be reduced further and eventually eliminated. A truly progressive tax system can be established based on the ability to pay principle.

(c) Tax Reform in a Federal System

While provincial taxation policies can have a significant effect on the distribution of income, they are also to a large extent under constraints from federal tax policies.

In calling for more progressive income tax, the Manitoba government has made many representations of its tax policy to the federal government. The Province has repeatedly pressed the position that the fundamental principle of taxation must be the ability to pay.

Thus, the definition of income subject to taxation should be as broad as possible. In practical terms, this means that capital gains should be taxed in the same manner as wages and salaries. A tax system which allows large sources of income for the wealthy to be undertaxed, while wages and salaries (the major source of income for low and middle-income groups) are fully taxed, is neither fair nor progressive. By continuing a system of tax exemptions rather than developing a tax credit system, the federal government is encouraging a regressive system. Persons with higher incomes benefit more from exemptions than do lower income groups. Further, the federal government is also lowering the rate of progressivity of the tax schedule itself by reducing the rate of taxation at the upper end of the scale. The direction of this change is clearly regressive, and the Manitoba government has urged that these regressive steps be ended.

Another regressive federal measure has been the federal withdrawal from the wealth transfer tax field. The federal government repealed its taxes on estates and gifts at the end of 1971. Manitoba and eight other provinces have moved to impose their own taxes in these fields to fill the vacuum left by the federal government. The need for estate and gift taxes is clear for any society which professes a desire for greater equality. The passing of large accumulations of wealth from generation to generation has represented one of the primary sources of inequality among virtually all societies. Manitoba's taxes, therefore, have been levied mainly for purposes of equity; the taxes are intended to apply to only the largest transfers of wealth and as a result neither is likely to effect more than a very small percentage of Manitoba residents. (See Table 2-21.) The number of taxable estates in 1970-71 was 192 compared to 4,219 estates which were not taxable. In 1971-72, the number of non-taxable estates has been estimated at 4,400. Estate and gift taxes are clearly the type of tax that should be applied at the national level so that uniformity is achieved across the country and the unhealthy competition between the provinces (which recently has led one province's announced withdrawal from the field) is avoided.

Manitoba has also recommended other changes which would benefit the ordinary person rather than the relatively small number of wealthy persons. One such proposal was that deductions for employment expenses should be the same for wage and salary earners as for self-employed persons. Other detailed proposals concerning the tax treatment of child care expenses and/or special family situations have also been put forward by Manitoba.

Despite these proposals, and despite a "tax reform" (which fell far short of the recommendations of the Carter Commission) the personal income tax system into which Manitoba is locked under present federal-provincial agreements is in many cases directly opposed to Manitoba's view of what a personal income tax system should be.

The main reason given by the federal government for refusing to base the income tax system more firmly on ability to pay is that they fear a highly progressive system would be a disincentive for people to work and invest.

While Ottawa hopes that incentives to the well-off can stimulate economic expansion, and that the benefits will trickle down to the average person, the Manitoba Government holds the opposite view. It is the low-income taxpayer who pays for tax incentives to the well-off, and there is no evidence to suggest that the benefits of incentives to the well-off do trickle down to lower income groups.

TABLE 2-21

FEDERAL ESTATE TAX ASSESSMENTS
BY SIZE OF ESTATE: MANITOBA
FISCAL YEAR 1971-72

Size of Estate	Number of Taxable Estates	Aggregate Net Value (thousands)	Tax on Taxable Value (thousands)
50,000 – 75,000	74	4,500	319
75,000 – 100,000	50	4,290	417
100,000 – 125,000	27	3,053	324
125,000 – 150,000	16	2,209	283
150,000 – 200,000	13	2,169	315
200,000 – 300,000	17	4,225	747
300,000 – 400,000	5	1,651	324
400,000 – 500,000	3	1,312	255
500,000 – 1,000,000	4	3,222	759
$1,000,000 and over	4	5,981	2,580
TOTAL	213	32,612	6,323

Note: This table is based on the federal Estate Tax. The Manitoba legislation is different in some respects so some relatively small variations from the federal experience can be expected.

Source: Department of National Revenue.

The Manitoba government believes that a more rational and equitable approach would be to end tax advantages to the well-off and to decrease the tax burden on lower income groups. *The Family Expenditure Survey 1969,* by Statistics Canada, showed that 56.6 percent of Manitoba families earned less than $7,000 in net income before taxes and spent more in total expenditure than they earned in income. Higher taxes against these people, who are unable to save and may be going further into debt, subsidize the tax exemptions to well-off persons who have sufficient income to save, to accumulate assets, and to make capital gains. This pressure makes the distribution of income increasingly unequal.

The Manitoba government favours ending the tax concessions to higher income groups and using the additional revenue to lower the tax burden on the average person. Since the low-income person spends a higher proportion of his income on consumption than the person at a higher income level, transferring income to low-income groups would tend to increase aggregate demand in the economy, providing a steady stimulus to investment.

There is no evidence to support the theory that taxing capital gains at full rates would discourage investment. In fact, when capital gains are taxable, capital losses are deductible. This factor should tend to stimulate investment by reducing the risk to investors.

The incentive approach to the well-off has also governed Ottawa's view of corporate behaviour. For many years, the corporation tax has been seen as a tool of economic policy. When unemployment rose, their approach has been to stimulate private investment through subsidy in the hope that jobs would be created. The stimulus has often taken the form of accelerated depreciation and investment allowances.

There is no indication, however, that these policies help to bring the economy to full employment, and they may add instability to an already erratic investmen cycle. Subsidies to corporations through accelerated depreciation allowances and other investment incentives tend to be most easily taken advantage of by firms which have access to large supplies of capital. They benefit only profitable firms and particularly those firms in capital-intensive rather than labour-intensive industries. These firms tend to be large, foreign-owned and are often in the resource sector. A second result is the tendency to bias investment towards more capital intensive techniques. This advances the rate of unemployment due to technological displacement. Rather than subsidizing the hiring of unemployed labour, subsidies are given for capital investment which can displace labour.

In the resources sector, a very small number of jobs is created in relation to the size of the investment. With an increase in capacity, there usually follows an increase in our export of raw materials, but raw materials have a low labour content in relation to their value. These exports tend to push up our exchange rate and make more difficult the export of Canadian manufactured goods with their desired higher labour content. This exchange rate effect generally depresses the level of aggregate demand in the economy, making the achievement of full employment difficult and creating over-capacity in the manufacturing sector which can easily make an investment boom short-lived. Firms cannot sell the increased output they are able to produce, and so the expansion they may have undertaken becomes difficult to justify. As a result, they may try to pay for the cost of their over-capacity by raising prices and thus creating general inflationary pressure on the cost side.

At the same time, the initial investment boom may bring inflationary pressure on the demand side in the investment goods industry and in the capital markets. Interest rates may be pushed up as a result, and this tends to slow down investment in socially-useful areas such as housing.

These costly subsidies, paid for out of the income of wage and salary earners, are ineffective if not self-defeating in their primary purpose, i.e. creating jobs. They also contribute to the worst tendencies of our industrial system by increasing concentration and foreign ownership, by reinforcing the bias towards our role as a supplier of resources and at the same time penalizing the development of the other sectors of our economy.

If we are to have an efficient industrial system, which is predominantly Canadian-owned, which provides full employment and which does not depend on government subsidy, the present system of using tax incentives to corporations as a tool of economic policy must end. In Manitoba, the loopholes in the corporate tax system have their biggest impact in the mining sector, where a few heavily-capitalized, foreign-owned firms dominate the industry. The problems of this industry will be dealt with in the *Natural Resources* chapter.

(d) Summary

The distribution of income is greatly influenced by the activities of the provincial government be they through regulation, the provision of goods and services, or the raising of revenue. In the chapters to come, *Guidelines* will concern itself with the many ways that a greater equality of the human condition can be achieved through government programs. In this chapter, the focus is on the system of taxation.

Manitoba had a basically regressive system of provincial and municipal taxation when this government came to office in 1969. The property tax, as the largest source of tax revenue, is clearly regressive. When combined with generally regressive taxes on consumption like the sales tax, these regressive taxes outweighed the progressive effect of the income tax. In striving towards greater equality, the Manitoba government has begun to alter the structure of taxation based on the ability to pay principle.

The burden of the regressive property tax has already been substantially shifted. Further progress in this direction can be made through extensions of the Education Property Tax Credit Plan. Ultimately, the goal of the government is to eliminate farm and residential property taxes and to refinance the revenue through a more progressive personal income tax.

In pursuing the goal of a more progressive tax system, the Manitoba government holds that greater equality would be a strong stimulus to full employment. Rather than giving incentives and loopholes to well-off individuals and corporations, Manitoba would use these funds to reduce taxes for low and middle income earners. Since these groups tend to spend a greater portion of their income the result should be seen generally in a rising and stable aggregate demand in the economy. The increase in aggregate demand should enable firms to invest so that sufficient capacity exists to provide the goods and services for which there is an effective demand.

Economic growth which is consumption-led is stable, it assures a more equal distribution of income, it can bring full employment. It does not lead to increased foreign ownership or the over-exploitation and exportation of our natural resources, nor does it advance the rate of technological unemployment, depress aggregate demand, or add instability to an already erratic investment cycle.

The thrust of taxation in Manitoba will be toward a more progressive overall system. To this end, steps have already been taken to shift the burden of taxation away from regressive sources. The extended Property Tax Credit system is the key component of an overall shift in direction at the provincial-municipal level. At the federal level, Manitoba will continue to press for measures which will bring about an equitable and progressive system of income tax, both personal and corporate. Where the federal government is reluctant to act, Manitoba should not hesitate to take independent initiatives.

THE SOCIAL COSTS OF MIGRATION

The *stay option* is a positive commitment to strengthening the economic and social diversity of Manitoba. It means that people will be afforded the means to remain in their particular region of the province. In other words, people will not be forced to move elsewhere because there are no real economic options open to them at home or because the level of government services is inadequate in their region.

As the policies reinforcing the *stay option* begin to take effect, the advantages will be seen in a less crowded (and more healthy) urban environment, a more prosperous countryside, and a northern setting in which residents can take full advantage of northern employment opportunities and can participate meaningfully in the development of their region.

Without such policies, Manitoba can look forward to continued depopulation and poverty in rural areas, increasingly costly urbanization, and northern development which excludes the majority of local residents from a share in its benefits.

For rural Manitoba the *stay option* represents a determined effort by this government to reverse, or to slow down, trends which have come about as a result of the present system of industrialization. To a large extent, acceptance and even encouragement of migration from rural areas has been based on the belief that low incomes and low returns in agriculture are a result of a misallocation of resources and that migration (i.e. the reallocation of resources) is the solution to income disparities.

This government maintains that this analysis conceals the fundamental reason for low farm incomes. Farmers lack the economic power which is enjoyed by producers in other industries. The value of farm production that enters the market is *artificially low,* and this is caused by the fragmentation which exists in the agricultural sector. The farm industry is characterized by a large number of producers who individually must accept as given the price for their products which prevails in the marketplace. In addition, farmers as a group have not had the unified strength to organize the agricultural markets themselves. The natural result has been low farm incomes.

For example, the fact that in a 20 year period bread prices tripled while wheat prices declined is evidence that millers, bakers, and retailers had sufficient economic power to force the consumer to pay higher prices for bread, while farmers did not have sufficient power even to maintain their price for wheat. This is not an indication of relative changes in efficiency in any technical sense, but shows instead that the economic power of farmers has declined relative to other groups in society.

A change in society's priorities could change the relative returns to resources and could make agriculture more "productive". For society as a whole, a more effective allocation of resources and reduced income disparities could both be obtained more easily and at lower cost by evening out economic power or by re-arranging priorities, rather than by forcing people to migrate from one job to another or from one area to another.

For many years, the migration of people from rural to urban areas has been accepted as inevitable by city-dwellers, by rural residents and by governments themselves. Yet, there are indications that the advantages of the rural-urban shift in terms of "productivity" may be considerably exaggerated. In addition, there are high social costs involved in re-locating families. Cities, and the services they provide, grow out of hand, and rural communities lose their means of existence.

As a result of the attitude that the shift from country to city was inevitable, the growth centre theory began to play an important part in decision-making by both private investors and public authorities. For example, decisions on where to build a new plant, a new school or a central hospital were and are heavily influenced by considerations of the relative size and expected growth of various communities. It has generally been much easier for a larger community to obtain grants and loans for public works and for such amenities as sewers and waterworks, parks and recreational facilities. This, too, has added to the pattern of urbanization, putting small rural communities at a serious disadvantage.

Recent federal policy has tended to be based on the premise that relocation from farms to towns and cities was both inevitable and desirable in the long-run, although it might cause some short-term hardships. As a result, manpower mobility programs, relocation grants and other measures have been aimed at helping the small, marginal farmer to leave the land.

Not enough thought has been given to whether the migration from rural areas is actually inevitable, or to whether it is socially desirable. Only since very large cities have become nearly uninhabitable have people begun to question the wisdom of unrestrained urban growth and to examine the real benefits and costs of rural-urban migration.

The theory that a reallocation of resources through migration will remove or reduce income disparities does not stand up to examination. If past policies were to continue, and the number of farm families in Manitoba continued to decline at the present rate of 1,000 per year, by 1980 there would be 26,000 farmers remaining in the province. Yet, projections based on post-war income trends show a Net Farm Cash Income of $72 million in 1980. This would hardly be a sufficient income base for those 26,000 farmers, and they may be forced to consume their depreciation allowances and increase their reliance on credit. In effect, the agricultural industry could very well be bankrupt by the end of the decade.

It would not be possible to bring about an equalization of returns between Manitoba's agriculture and other industries by transferring resources at the current rate. Even if a modest goal such as zero return to capital and a $5,000 average annual income per farm by 1980 were set, the projected net farm cash income of $72 million would be absorbed if only 14,000 farmers were still in business. That means that between now and the end of the decade, 21,000 farmers would have to find other occupations. Even that projection is based on the assumption that the 14,000 who remained in farming would be able to produce the same output as the present 35,000.

Migration, or "resource mobility" as a solution to Manitoba's agricultural income problem, therefore, would involve removing 21,000 farmers from the land into towns and cities between now and 1980. Provincial and federal governments would have to justify this removal on the grounds that it would correct the glaring disparities between urban and rural incomes. This reasoning would be based on the assumption that government should not have a decisive role in assigning or transferring economic power or that government should not be obliged to compensate for lack of economic power by the transfer of money from the public purse.

While the basic reason for low farm incomes is the farmer's lack of influence in the marketplace, it is true that agriculture is inefficient to some degree. Some farmers do not have enough land to grow grain efficiently, for example. It is important to realize, however, that the proper criteria for measuring farm efficiency are whether farming is less efficient than other industries and whether there are not reasonable alternatives to increase efficiency other than the "resource-mobility" solution.

One alternative solution to the problem of agriculture inefficiency would be a switching of land use where a farmer cannot compete within the market for a particular agricultural product. Switching from inefficient grain production to efficient cattle production, for example, would be a better solution than removing the farmer from the land.

Another alternative to relocating farmers in towns or cities would be to achieve economies of scale within agriculture. The co-operative use of land, labour and capital to achieve such economies would surely be better than taking the farmer off the land. By pooling their resources, small farmers can aggregate their assets to achieve efficient use of their capital and land and they can realize additional economies of scale through the division of labour.

In other words, even if inefficiency were the main problem in agriculture, there are several possible solutions which could leave the farmer on the land. But even these solutions would not counteract the main problem which contributes to low farm incomes, the fact that farmers lack the economic power to command higher prices in the marketplace.

An equally important criticism of the migration or "resource mobility" solution to the agricultural problem is its intolerable effect on society as a whole. A true calculation of the costs and benefits of migration would be based on its social costs and benefits. That is, not only would the costs and benefits to the individual leaving the farm have to be considered, but a calculation would also have to be made of the costs and benefits to other members of the society. When a real shift of population from one area to another takes place, society incurs costs in addition to those borne by the individual. These costs must be paid for by all citizens.

These additional costs are borne by persons remaining in the region, by persons in the centre to which the migrant moves and by all persons in general, through increases in government expenditure and taxation.

For the sending region, depopulation creates a downward spiral which increases disparities. Higher productivity in agriculture does not necessarily follow the migration from rural areas. Adjustment problems in agriculture following a decline in the labour force are more complex than a mere change in the labour-capital ratio. When labour leaves the land, new technology, new investment and new management skills are often required to maintain productivity. Since it is usually small farms which are affected by outward migration, the recombination of remaining resources is frequently difficult. Even with migration, the reorganization of production which appears to be necessary has not come about to any significant extent. The economic position of the remaining farmers has not greatly improved.

Migration out of the agriculture region will therefore not necessarily improve the condition of those remaining in agriculture and it will certainly have a negative multiplier effect which will reduce employment in the rural service sector. It has been estimated for the Atlantic provinces that for every five unemployed persons leaving the region, two additional persons become unemoyed*. It is entirely reasonable to pect that migration from the land oduces a similar effect in Manitoba. ; farmers leave the land, businesses rving the local population lose their istomers and decline.

milarly the space and desks that were rovided for the family's children in e rural school will be unused, a hospital ed will remain unoccupied for so many ays in a year, the telephone line former- used by 10 families will now be used y nine, Manitoba Hydro will remove e transformer in a farm yard and the otential revenue from a rural power line ill drop, the number of cars and trucks n the rural road will decrease by one, nd the per capita costs of maintaining transportation and communications etwork in the rural areas will increase. ocal governments will have an increas- ngly difficult task in trying to provide ne full range of public goods and services o their residents as their tax base erodes nd expenditures do not decline as popu- ation falls. As tax income falls the stan- ard of services that can be provided will leteriorate. These factors will act as a leterrent to industrial development with- n the region as well as encouragement for ndividuals to migrate to obtain the levels f service they desire.

Migration is a process which selectively denudes the countryside of the expertise t needs for future development purposes, and leaves an unbalanced age structure resulting in further economic pressures on the sending region. The depressed areas are left with a population heavily weighted by the older and to a certain extent, by the younger generations of non-working age. With this increase in the number of dependents per worker, it is obvious that the standard of living in these areas must fall, so that the effect of migration is ultimately to create further conditions of depression.

The remaining population is burdened with the heavy educational costs associated with this unbalanced age structure.

With the out-migration of the younger population from a region upon completion of secondary education, a large part of the returns to education investment accrue to other areas of the country or province at no expense to them at all. Such losses in local expertise tend to make areas less attractive to incoming industry in addition to creating obstacles to the expansion of existing industries. This causes numerous economic problems for the sending region which tend, in turn, to accelerate the rate of migration for those remaining. Such is the logic of rational decision-making by individuals in the absence of co-ordinated planning by society as a whole.

For the receiving region, Winnipeg in this case, there is a certain symmetry to a large number of public costs of migration. Where facilities have been abandoned in the rural region, they must be replaced in the urban area, and often at higher cost. Sites must be found for new housing thus pushing up the price of urban land. The land must be serviced with hydro, telephone, paved roads, sewer and water connections, and sidewalks. Additional space and desks have to be provided in Winnipeg schools and capacity added to hospital facilities. In addition, some services that are not needed in rural communities are absolute necessities in Winnipeg. For instance, more police per thousand inhabitants are needed because the concentration of population and wealth push up the crime rate; the flow of traffic has to be regulated. Similarly, money has to be spent on parks, trees, and grass in order to give Winnipeg residents a more natural environment with which the rural resident is surrounded all day. Paved streets must be provided, for without pavement the city would choke to death in dry weather and grind to a halt with every rain. The congestion and pollution of the environment created by protracted periods of migration are further costs to be counted.

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*Vankerkamp, J., "The Effects of Out-Migration on Regional Unemployment", *Canadian Journal of Economics,* November, 1970.

For those migrants who possess few transferrable skills, unemployment becomes a serious threat. Industrialization brings a complex division of labour, graduations of skill, greater differentials in rewards, and a more hierarchial structure of authority. Population moving toward the industrialized centres is required to fit into these emerging strata of occupation, rewards, and authority. Where large numbers do not have skills, they fit into the bottom levels of urban wage earners, and, perhaps more than any other group, they are subject to the dangers of unemployment.

Traditional economic theory usually assumes an economy with automatic full employment. However, market economies rarely function in this manner naturally, particularly when there are significant changes in the industrial structure. When the government intervenes to create full employment, as this government intends to do, there are costs associated with job-creation which will fall on the taxpaying public. Each job lost in rural Manitoba in times of unemployment is another job that will have to be created. One thousand jobs last year in agriculture together with additional jobs lost in the rural service sector makes the provincial government's commitment to full employment a significantly more difficult and costly task. The alternative costs to a provincial full employment policy are increased expenditures on relief for the unemployed.

The individual migrant in making his decision to leave the rural area to find employment does so presumably on the basis of a calculation of the costs and benefits to himself. The migrant will weigh the benefits of a higher urban income, of an end to his rural isolation with its inadequate health, education, transportation and recreation facilities against the costs of transition to the urban environment, the capital loss he will suffer from abandoning his house, and the higher costs of urban living, such as more expensive housing. Added to these private costs will be others more difficult to quantify, psychic costs resulting from a drastic change in environment. Among these will be the loss of friends, relatives, and familiar surroundings, the abandonment of the farmer's essential role in the ecology of the farm, the identification of family and work roles, and the sense of independence provided by the farm situation. All these private costs are weighed against the one overriding benefit, a higher standard of living in the urban area.

Against this private calculation must be placed the public costs or externalities, costs which do not enter into the calculation of the individual migrant but which are the proper consideration of society. If society's loss is greater than the migrant's private gain, then both society and the migrant can be made better off if society pays or compensates the migrant up to the point which will allow the migrant to remain in the rural area. It should be made clear that this is a rational, technically correct solution which involves no subsidy. It involves the expenditure of government funds, but this expenditure is less than the loss that would be borne by society were rural depopulation to continue and thus it represents a social saving.

A second line of argument may be used to justify a subsidy *per se*. For a great number of migrants the choice they make is not a free choice and migration occurs not as a positive or preferred way of life, but as a forced choice made necessary by the farm situation.

As stated previously, low agricultural incomes are primarily a result of the lack of economic power of farmers. This has led to rural depopulation, contributing to the further isolation of those remaining on the land. The acceptance of the trend has brought the attitude of "resource-mobility" to government policy, further contributing to the movement off the land and creating conditions of rural depression. Government services in rural areas have not kept pace with urban areas because of a declining tax base. The prime cause has been low incomes in agriculture: these other rural problems have followed as a result of agriculture's depressed state. In recognition of the fact that it is society's overall strength that has made agriculture weak and depressed, it is fitting and just to subsidize agriculture in order to redress the inequities of the market-place through the political process.

This then is the first reason for the *stay option* for rural Manitoba: a realization that agriculture has suffered unduly because of its lack of economic power and as a result has brought tremendous hardships to those on the farm. Following from this hardship there has been a massive movement of farmers off the land bringing tremendous costs to those remaining in rural areas, to urban dwellers, and to taxpayers in general. These public or external costs are the second major reason for the rural *stay option.* Together the hardship of farmers and the costs associated with rural depopulation form the basis for Manitoba's rural *stay option.*

The *stay option* will mean that an opportunity will be afforded to farmers to remain on the land if they desire to do so. They will no longer be coerced by economic need to leave. Agriculture policy will therefore form the basis for the rural *stay option* and will be directed at maintaining the number of farmers on the land. Specific policies will be developed to aid the low income farmers and at the same time to restrict the growth of large corporate farms which push the small farmer off the land. Agricultural production will be reorganized through the strong support of co-operatives and land banking. Where necessary, the switching to more profitable forms of production will be encouraged. Taken together, these agricultural policies will ensure the low-income farmer of sufficient income to enable him to remain on the land in a reorganized and more efficient agricultural industry.

Complementing agricultural policy should be other policies to halt rural depopulation whether from the farm or the rural community. Industrial policy should have a strong regional emphasis so that new industry, both private and public, is more evenly distributed throughout the province. Public policy should encourage small private businesses, co-operative development, and provincial and municipal crown corporations through a variety of mechanisms, from measures to increase efficiency such as management and manpower development services to a new financial intermediary which will permit local businesses to have a longer time horizon for development.

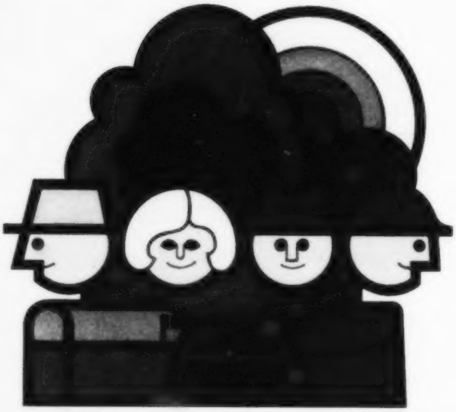
The delivery of provincial government services should be greatly decentralized. This will have the effect of substantially increasing provincial government employment outside Winnipeg thus helping to support local economic development. It will also make provincial government services more effective in meeting the specific needs of the people they serve. Local participation in the delivery of government services will be fostered, both to make the services which are provided reflect better the needs of the community, and also to give the individual a real say in the decisions which affect his life.

In addition to bringing provincial government services closer to the people, concerted efforts will be made to bring a much greater degree of equality in the provision of these services. In areas such as health, education, housing and social services, the provincial government should expand its financial commitment so that public services are provided as equally as possible across the province. The effect of greatly reducing the disadvantaged position of rural Manitoba in the provision of public goods and services will be to substantially increase its social viability. This in itself will help counter the rural-urban shift and will complement policies to stimulate the economic development in the rural region.

The effects of a successful *stay option* will be a revitalized rural area, both for the farm population and persons living in rural communities. Winnipeg, too will benefit from the development of a strong and prosperous rural hinterland. At the same time, urban growth will be more rational and less costly as the public costs of forced migration are avoided. Freed from costs of coping with greatly increased numbers, Winnipeg will be able to devote more of its resources to improving the quality of urban life. Migration from one region of the province to another will be based on free choice, and not on economic or social necessity.

Chapter 3
Employment and Manpower

Employment and Manpower



Unemployment, both in its explicit form of persons without work who are seeking work, and in its more subtle form of non-entry, withdrawal or other non-participation in the labour force, is an extremely wasteful and costly problem for society, as well as being frustrating, degrading and destructive for the individuals directly affected. Unemployment is wasteful in that human resources which could be employed in the production of socially needed goods and services are forced into idleness. Indeed, given the human impact of unemployment, it could be argued not only that human resources are unutilized but also that they are devalued by unemployment. In addition to these (lost) opportunity costs of unemployed labour, there is also the economic impact resulting from the unemployed cutting consumption to a minimum and depleting past savings (and the attendant multiplier effects) leading to a reduction in overall demand in the economy. But these are not the only costs of unemployment. Besides these economic effects, there are the actual expenditures of the three levels of government to support and assist the unemployed. These are direct costs to the public purse which need not occur if full employment was ensured.

Unemployment is not simply a problem for the unemployed, nor a matter of benevolent assistance by the state for the unemployed. Rather, unemployment is a serious economic problem affecting the whole community by reducing its potential wealth and unnecessarily consuming its existing wealth. In other words, unemployment costs us all. It is in the interest of the entire community to end unnecessary unemployment.

Thus, the policy of this government is to attempt to ensure that employment opportunities are available to all Manitobans. Well before the end of this decade, unemployment, above the statistical minimum that represents people moving from job to job and entering or leaving the labour force, can be eliminated. The province can develop the instruments to achieve this objective, despite the superior federal capacity in this field through fiscal and monetary policy – which has not been utilized effectively to make significant progress towards reducing unemployment.

But the creation of jobs is not enough in itself. They must be available to all the people of Manitoba – the young and old, male and female, handicapped and able-bodied, persons of all ethnic and cultural backgrounds, labour force participants and those not in the labour force because of the lack of opportunities. To make these jobs available to the people who need and want employment is the task of manpower policy.

It is no easy task. Manpower policy must be closely linked with employment, agricultural, resource and industrial policies, to ensure not only that sufficient jobs are available where they are needed, but also that the jobs developed meet the needs of those seeking employment. The type of jobs, the organization of production, and on-the-job relations are some of the important job related manpower considerations which will determine who is able to take advantage of the job opportunities.

These are factors which are of significant weight in employing the handicapped, the aged, and the disadvantaged. By altering the design and organization of production, it can often be possible to include the handicapped in the production process. The older worker can be given alternatives, for example, lighter work and shorter hours, rather than the all-too-often sudden emptiness of forced retirement. The socially and culturally disadvantaged can be given a flexible work environment where they can exercise some control and influence the operating decisions which affect them; sympathetic supervision and on-the-job instruction can be provided.

In some cases, entire plants or separate parts of an operation can be developed for a particular group. This is often desirable, in that it provides a supportive work "community" with greater possibility of control by and for the particular group in question. This approach has been used in the Interlake and Northern Manitoba by the Manpower Corps which have established small plants employing "disadvantaged" persons. Steady employment, good work records and high production quality have been achieved by persons once considered unrealiable, if not unemployable. But such "segregated" work situations are only a start. Work opportunities for the aged, handicapped and disadvantaged must be developed in "traditional" economic enterprises if these people are to have integrated opportunities in the wider society. We must not shuffle aside our senior citizens, isolate the handicapped, nor ghettoize the disadvantaged. Opportunities must be created for them to participate integrally in the social and economic life of Manitoba.

The overriding objective of Manitoba's manpower policy for the seventies then is the provision of individually meaningful and socially productive opportunities for participation in the economic life of the province for all Manitoba citizens.

This *participation model* of manpower policy recognizes the primacy and worth of each individual, while at the same time utilizing all human resources and increasing the production of socially needed goods and services. The present waste and inefficiency resulting from idle and underutilized labour, not to mention the individual degradation, community disintegration, social friction and cost of government welfare and rehabilitation programs, will be reduced to the minimum level possible.

The participation model differs from the traditional "efficiency" model of manpower policy in that its prime emphasis is on the quality of life of the individual worker. First and foremost under the efficiency model is the maximization of output as the ultimate good. The key manpower instrument in the efficiency model is training designed to turn over skilled persons according to the needs and specifications of industry. Labour is seen simply as a factor of production, and the individual as a commodity. And in practice, capital is often given more consideration and attention than labour. In short, there is too little room in the efficiency model for human considerations.

While the participation model recognizes the need for "efficiency", it defines efficiency not only in economic terms but also in social terms. Economic efficiency, while important, should not be the only or overriding concern of manpower policy. Therefore, a program which would improve the work environment or the self development opportunities of working people, but which might, at the same time, result in some measure of reduced profits or financial inefficiency, might well be undertaken.

Our manpower participation model will recognize that there is a mutual responsibility between the individual and society. Society must provide the individual with the opportunity to participate in the economic life of the province. It must also assist those who are unable or only partially able to participate. The individual, on the other hand, can reasonably be expected to participate in the economic life of the province to the extent of his ability and in this way to contribute to the fulfillment of the social and economic objectives of the larger community. However, this does not mean that an individual must take whatever job is offered to him. No one should be left in the situation where a single, unpleasant, low-paying, dead-end job opportunity is the only option. Such a situation can only be considered as something less than an individually meaningful opportunity to participate.

Manitoba's manpower policy, based on a participation model, will provide for the fulfillment of the reciprocal responsibility of the able bodied individual receiving assistance from the state by ensuring a variety of employment opportunities thereby maximizing individual freedom and choice. The province's manpower policy will more deliberately shape employment opportunities and job characteristics to the needs of those who are presently excluded from full participation in the labour force. The four principles of *Guidelines* are integral to manpower policy for the seventies:

(a) Maximizing the general well-being of Manitobans:

The general well-being of Manitobans will be improved through the provision of jobs for all Manitobans including the disadvantaged, the improvement of aggregate income levels and the general upgrading of job opportunities throughout the economy. A greater sense of security for the marginal worker and general improvement in the quality of the work environment will also contribute to well-being.

(b) Greater equality of the human condition:

Greater equality of the human condition will be achieved through efforts by both the public and private sectors to bring the disadvantaged into self-supporting employment. A guaranteed employment system will be established to ensure a minimum income for all individuals. In general, access to a variety of employment opportunities will be made more equal.

(c) The stay option:

The principle of the *stay option* provides the locational dimension to manpower policy. In concert with the other policies discussed in *Guidelines* designed to achieve the *stay option* – employment, agriculture, resource and industrial policies – manpower policy will be directed to ensure that people can find meaningful employment in their region of the province. The goal will be to ensure that people in all regions of the province have equal access to manpower programs.

(d) Widening participation:

By guaranteeing jobs for those who would otherwise be unemployed and by supporting and encouraging the disadvantaged to participate in the economic life of the province, manpower policy will extend the principle of "widening participation" to the economic realm. Manpower policy will also give this principle meaning and application at the enterprise, plant and shop floor levels.

Manpower policy is then an important element in the overall strategy to achieve the *Guidelines* principles. It is, in essence, the link between economic development on the one hand, and the major training, rehabilitation, social service and educational programs on the other. We can no longer afford to train people for jobs that don't exist nor create jobs which fail to benefit people needing employment.

GUARANTEED EMPLOYMENT SCHEME

The Economic Overview chapter outlined this government's clear commitment to a policy of full employment, despite obvious federal responsibility and superior capability to ensure this objective. This will be accomplished in part through the counter cyclical application of provincial spending power and in part through a more rational activist approach to economic planning and development.

Both of these approaches are somewhat slow, although the response time will be reduced through improved forecasting and increasing experience in application during the plan period. Nonetheless, there will be times when autonomous changes in aggregate demand or federal policy will create unemployment which must be absorbed on an interim basis until longer-term provincial policy can absorb those displaced. A Guaranteed Employment System (G.E.S.) is designed to fill the need for a continuing vehicle to act as an employer of last resort.

The Manitoba government is prepared to guarantee employment at prevailing local wage levels (at or above the minimum wage) to anyone able and willing to work at that wage. The province can assume the responsibility for creating as many jobs as necessary, when they are necessary, by developing a decentralized system for identifying social needs, planning flexible employment projects for meeting those needs, and implementing those projects when the employment opportunities are required. The effect of this system would be to shift the burden of adjustment to variations in private sector labour demand from the individuals who are displaced, but bear no responsibility for the variations in demand, to the public sector.

The jobs created would not be "make work" but would meet real social needs. Examples of construction projects which could be undertaken under G.E.S. include construction and renovation of housing, improved sewer and water services, improved streets and roads, community buildings such as libraries, recreation centres and office facilities, school and health facilities and parks. Service projects might include public education programs such as health education, home services for the elderly and the handicapped, recreation and community development programs and environmental research, monitoring and protection.

The system would require great response flexibility if it is to be based on the scale and duration of the need to absorb the unemployed until they can rejoin the traditional labour market. This flexibility can be achieved in several ways:

(a) by decentralizing planning and implementation, a multitude of particularized local projects, providing a variety of alternatives in type, scale and capital and skill requirements will be generated. Not only would this approach help to provide the required flexibility, it would also allow for maximum local participation and initiative;

(b) by the inclusion of small scale projects, which would normally be seen as an administrative nuisance in a centralized scheme, but can be quite sensitive vehicles when handled at the local level; and

(c) by alternative work schedules for projects to allow for alteration and adaption to variation in the number of unemployed persons.

In short, flexibility becomes a planning and management function at the local level.

The G.E.S. is, then, a two-tiered system operating at both the provincial and local levels. The provincial role would be to develop the overall framework and operating ground rules, to provide consultation services and financing, and to ensure that the system is effectively guaranteeing employment in all areas of the province. The basic ground rule would be that the scale of operations and consequently the level of output is determined by the locally available "unemployed labour supply", and not vice versa. The local level, as already stated, would identify social needs, plan projects and implement them within the system guidelines.

The G.E.S. is a common sense, direct solution to short-term unemployment. It would employ human resources which would otherwise be idle, and therefore wasted, in the provision of socially useful goods and services. Thereby social wealth will be created which would not have existed.

But its impact would be even greater than this. The ready availability of employment at prevailing local wage levels – at or above the minimum wage – would establish the minimum wage as an effective income floor, while higher wages, at prevailing local levels, would maintain upward pressure on wages and undermine any efforts to take advantage of the unemployed through greatly substandard wages. This would occur as no one would work for less than these rates if G.E.S. employment were available as an alternative.

The increase in income of the lower income group would be spent primarily on additional necessities such as food and the more essential consumer products, rather than on luxuries or services. As a result, the composition of aggregate demand would be altered with the demand for manufactured items being increased relative to the demand for services. This would help to bring about a shift in employment and production from the service sector to the manufacturing sector. As will be seen in the dual labour market section of this chapter, such a shift is a positive result leading to increased employment in the high wage sectors.

This Government can proceed to implement the G.E.S. by building on the Provincial Employment Program and the Accelerated Capital Works Program which have been established by this Government to *fight* the totally unacceptable levels of winter unemployment resulting from perverse federal fiscal and monetary policy.

Under the Provincial Employment Program (P.E.P.), the short-term unemployed have been productively employed in such activities as improving and up-grading hospitals and schools in a great many locations throughout Manitoba, in making needed repairs to elderly persons housing, and in undertaking local improvement projects and short-term services initiated and carried out by local governments and community groups. This year P.E.P. has been further expanded to include farm improvement projects and co-operative support projects employing persons who would not otherwise have been employed. In northern Manitoba, the long-term nature of the employment problem in remote communities has been explicitly recognized through the extension of P.E.P. into a year-round program with work on local projects phased to complement other, often seasonal, employment opportunities.

The P.E.P. program has been expanding each winter since its inception three years ago. Experience with the management and direction of this type of program has grown so that the social usefulness of projects can be better ensured and the projects undertaken are more supportive of other government policies. The pensioner's housing, farm improvement and co-operative support components of P.E.P. are excellent examples of productive and socially useful employment being created on a short-term basis.

The Capital Works Acceleration Program involves public works projects which were already being planned or in all likelihood would have been undertaken by the government at some point in the future. Planning for such projects has been accelerated, and many projects have been brought forward in time to increase employment over what it otherwise would have been by increasing the level of public works expenditures during the period. The projects are also carefully scheduled to ensure that the jobs created are available at the most critical time. The objective is not solely to maintain a general high level of demand in the construction and related industries, but it is more specifically to ensure this demand during the winter months.

The Manitoba Special Municipal Loans and General Emergency Fund is a recently announced extension of the Province's effort to combat the unacceptable levels of unemployment resulting from federal policy and inaction. Under this program, a total of $14 million is available to municipalities for loans at favourable interest rates to enable them to undertake capital projects that will create additional employment on projects commenced between December 1, 1972 and June 30, 1975. To encourage winter employment, an incentive formula will provide for a 100 percent loan foregiveness of on-site labour costs incurred during the winter period. Fifty percent of the summertime labour costs will be forgiven. As a result employment will be generated, particularly in the winter months and municipalities will be better able to undertake longer term and socially useful projects.

Administration of these programs has already been brought together in the Provincial Job Office. Over the next several years these programs can be further expanded in a planned, responsible manner. They can take on an ongoing, year-round employer of last resort function over time. By the latter half of this decade Manitoba would have developed a system capable of guaranteeing the right to employment for all its citizens. In short, a Guaranteed Employment System would have been established, building on the programs that have already been started.

PUBLIC SECTOR PROGRAMS FOR THE EMPLOYMENT OF THE DISADVANTAGED

The Guaranteed Employment System, while designed to act continuously as a general employer of last resort, is meant primarily to act as a temporary employer for persons displaced by autonomous changes in aggregate demand or federal economic policies. As descirbed, the G.E.S. is not specifically designed to deal with the "hard-core" unemployed, the "hidden" unemployed and/or the handicapped. In short, the G.E.S. is not designed to serve the large group of disadvantaged people who would work if employment opportunities were available to them. Other, more comprehensive approaches are required to meet the needs of these people.

This is no small task. Because the existing statistical system tends to obscure the existence of the potentially employable disadvantaged, there can be no precision about their numbers. However, an estimate of 30 to 40 thousand is entirely reasonable. There are approximately 2,000 "hard-core" unemployed, i.e. persons counted in the unemployment figures over a relatively long period who are rarely or only marginally affected by the standard means of "fighting" unemployment. The "hidden" unemployed, i.e. those persons who have never been in the labour force, have left it or are excluded from the statistics for other reasons, number 16,000 to 28,000. There are approximately 15,000 physically or mentally handicapped persons who could work if appropriate employment opportunities and support services were available to them. In addition, there is an unquantifiable number of women who would work if necessary support services such as child day care were more readily available.

Current government expenditures while necessary for these groups still tend to be limited, and reach only a few persons in each category. Existing services tend to be piece-meal. However, new directions have been developing slowly and now point the way for government efforts vis-à-vis the disadvantaged.

As a major employer, the Manitoba government and its various agencies must take the manpower participation model seriously and set a clear and decisive example for the private sector by employing significant numbers of the disadvantaged in socially useful and individually meaningful jobs.

A comprehensive program for public sector employment of the disadvantaged can be developed in large part from existing programs such as New Careers, the Interlake and Northern Manpower Corps and Work Activities projects. Efforts can be made to ensure participation of disadvantaged people in the employment opportunities in their area and to improve counselling, life-skills training and other essential support services. Administration of public sector programs for the disadvantaged would parallel and co-ordinate with administration of the G.E.S. to ensure supportive roles.

THE NEW CAREERS PROGRAM

The New Careers Program was established on an experimental basis two years ago to develop employment opportunities in the public service for disadvantaged persons. Recognizing that the difficulties involved in the employment of the disadvantaged are as much a function of the employment environment as of the individuals themselves, the New Careers approach is to identify substantive meaningful job opportunities with real potential for advancement and to develop a conceptual career ladder for the new careerist. Basically, the job opportunities which have been opened to date fall into two categories: (a) newly created (non-traditional) jobs such as the home visitor – such jobs may either be entirely new employment areas just opening up, or may be new paraprofessional, entry level positions for the disadvantaged – and (b) existing civil service positions for which disadvantaged persons can be trained, such as conservation officers.

A general training program is available to all new careerists involving the development of various problem-solving, communications, human relations and basic analytic skills required in any of the jobs. On-the-job training is provided by the careerist's line supervisor. As well, personal interest is shown in the problems and progress of each careerist and supportive counselling is provided as necessary.

But the New Careers Program has found that it is not sufficient to be concerned with the quality of the job and the opportunities for advancement alone. Supervisory relations are also important. Thus, a training program for supervisors of new careerists is currently being prepared.

To date the New Careers Program has involved over 50 careerists in training positions. Some have already obtained permanent appointments within the civil service. Existing and planned new career jobs include such positions as conservation officer, clerk, correctional officer, social service counsellor, adult education worker, audio-visual technician, community health worker, home visitor, co-operative worker and environmental management officer.

The New Careers Program has proved its value in its experimental stage and has been adopted as a permanent program of this government. It will be expanded over the next several years at a rate necessary to ensure proper program development and yet to fulfill the clear commitment of this government to a major program of public service employment for the disadvantaged.

THE MANPOWER CORPS

The province's two Manpower Corps in the Interlake and in Northern Manitoba provide significant new directions towards work environment modification and entrepreneurial enterprise activities.

Both Manpower Corps programs have undertaken a number of projects, particularly in construction, involving production oriented training of the disadvantaged. Sympathetic supervision, personal and family support services and skill training have resulted in higher training completions than would likely have resulted from traditional courses with the same client groups. However, the lack of appropriate employment opportunities and barriers to those opportunities which exist, have been a deterrent to effective integration into regular employment. As a result, the Manpower Corps approach has shifted emphasis somewhat and begun to consider projects which can evolve into self-sufficient enterprises.

The Selkirk Manpower Corps training plant which produces parks furniture for Manitoba's provincial recreation areas was originally established to train non-participants in the labour force in sheet metal and woodworking skills and to facilitate their entry into regular employment. However, sufficient employment opportunities for the graduate trainees have not been available. Because of this and because the plant had already proven to be a breakeven economic enterprise, the government has established part of the operation on a permanent basis employing trainees who wish to stay on at the plant. As well, the plant's capacity is presently being expanded.

The key to the success of the Selkirk plant as a social and an economic activity has been the total package approach of training, production experience, sympathetic supervision, counselling, home visitors and direct participation of the employee/trainees in plant decisions.

The Louis Riel Co-operative in St. Laurent is a similar example. An independent community co-operative is evolving from a Manpower Corps work orientation and training project in woodworking. The project was initiated by the local community with the intention of eventually establishing a viable local enterprise. Based initially on ladder production, Louis Riel has since diversified into home, office, day care and school furniture production.

With some design and proto-type development assistance, help with marketing and the provision of the necessary management support and training, Louis Riel can be a viable economic enterprise, operated by local people who would otherwise be underemployed or unemployed or would be forced to leave their home community.

Also, in St. Laurent, the Manpower Corps, at the initiative of local people, has built 15 public housing units for the Manitoba Housing and Renewal Corporation using previously unemployed, unskilled and low skilled local residents. The quality of construction is high, local morale is high and costs are generally in line with private contractors' prices. The employees involved hope to be able to take on other local construction projects.

In Churchill, the Northern Manpower Corps has responded to local initiatives to find training and employment for a group of people previously unemployed and considered by some unemployable, by establishing a house construction subsidiary under the Manitoba Housing and Renewal Corporation. A prefabrication plant was established in unused warehouse facilities at Fort Churchill and 39 townhouse units were prefabricated last winter. During the summer, fall and into this winter these units have been erected and finished. The total value of this first major effort is close to $900,000.

In terms of quality and cost the project has proven to be fully competitive with private contractors. This has rightly led to a sense of pride and meaningful participation and contribution to the community on the part of employees. As well, over a quarter million dollars has entered the local economy through local wage payments. Local suppliers have received some of the contracts for materials and welfare costs for unemployed employables have been greatly reduced.

The Churchill housing operation shows again what can be done if the unemployed are provided with jobs in a supportive work environment. It demonstrates the needless and destructive waste involved in unemployment. It is also an example of the type of industry – housing prefabrication – which can be designed to use more or less labour, and can be economically split into small units with a fair amount of locational flexibility. The Northern Manpower Corps is committed to the continuation of this operation in the near future. In the long run, an independent community prefabrication and construction enterprise can hopefully be established, although perhaps on a somewhat smaller scale. As a more comprehensive, long-term northern housing program is developed it may well be possible to build several small housing plants in Northern Manitoba based on a multi-year commitment to purchase by the government. Housing prefabrication and/or construction projects have already taken place in both Camperville and The Pas, although these have, to date, been short-term efforts.

Another example of the potential for economically viable enterprises employing the "disadvantaged" is the holding pool of The Pas Unit – Northern Manpower Corps logger training project. Because Churchill Forest Industries was often not able to hire graduates of the logger training program, the Corps developed a holding pool for trainees in which they are employed at logging until permanent employment becomes available. The timber is cut under a contract between the Corps and C.F.I. The holding pool, despite the fact that it has been developed and operated as a device to assist in the period between training and regular employment and has fluctuated significantly in its scale of operation from time to time, operates essentially as a logging contractor. It could well be an independent enterprise utilizing the "disadvantaged" and eventually run entirely by its members.

Thus there are already a number of cases born out of community initiative and in response to particular short-run opportunities where training projects for the disadvantaged have the potential of, or are, becoming economic enterprises. The participation objective of manpower policy is given reality as social and economic development are brought together. The workers on these projects, almost all from the ranks of the hard-core and hidden unemployed, have already demonstrated good work habits, high quality production and steady employment records. These projects have shown what can be done given a total package approach, the necessary support services and a work environment modified to ensure participation, support and self-development. Even if these operations do not become self-sufficent in the short-run, indeed, even if they should not be able to continue, the direction has been set.

The future course must be one of more carefully identifying viable long-run economic development opportunities which can be reserved for development for and by disadvantaged people. The greater the locational flexibility of such opportunities, the easier it will be to provide employment for the disadvantaged where they are, which greatly reduces the adjustment problems involved. Thus, it is the intent of this government to assume an entrepreurial role on behalf of the disadvantaged, developing viable enterprises using their labour, and turning these enterprises into independent, local industries. This approach once again emphasizes that manpower policy is a crucial linkage between economic and social development.

In addition, this government will endeavour to ensure that local residents have full and equal access, in practice as well as theory, to the jobs created by major development projects, particularly in Northern Manitoba. Such projects would be used as developmental vehicles in a social sense, providing training and upgrading for local residents, improving their employability, economic position, and potential for successful mobility.

Major attention will be given to the employment opportunities associated with Hydro development over the next 15 years. The Hydro projects will be phased so as to ensure continuous development, and thus continuity of, employment. Northern employment preference provisions, pioneered in collective agreements between Hydro and the Allied Hydro Council, will continue to be used as a tool to ensure employment for northern residents. The recruitment services of Canada Manpower will be supplemented as necessary to ensure full and equal access to the jobs for Northerners, and particularly for those in remote communities.

An on-going process of consultation and discussion with contractors and union representatives will be continued to ensure that there are no artificial barriers to the employment of Northern residents, and that difficulties with respect to their recruitment and hiring are resolved. Job related training and up-grading programs will be developed in association with appropriate employers associations and unions in order not only to develop the most effective skills transfer possible, but also to ensure that the training and experience has general acceptance and opens the door to employment in the industry in general.

The Minago Contractors Corporation is an example of the type of public effort which may be necessary to ensure full and equal access to job opportunities for local residents and the disadvantaged. This Corporation has been established by Order-in-Council under the Manitoba Natural Resource Development Act to ensure local participation in the clearing of the Jenpeg Forebay area. The Corporation will sub-contract to small local contractors who would not have been able to bid on the large sections of the project tendered by Hydro. It will undertake job-related training and up-grading, graduating men to private clearing contractors and construction work on the generating station. It will also clear some areas itself, directly employing local and disadvantaged people in a supportive work situation.

Public manpower programs for the disadvantaged can also give increasing attention to smaller and more localized opportunities for employment. Training for jobs such as town clerk, airport manager, telephone operator, store clerk, or local sawmill employees can be developed for local residents where and when necessary. In this way, manpower activities will serve and facilitate local economic development efforts. They will not simply be a vehicle of mobility and relocation as they have often been in the past.

Backing up all the above can be improved counselling, assessment and general extension services to assist individuals and their families in the development of realistic vocational plans utilizing the full range of employment, training, and up-grading programs available. In addition, more general efforts to improve the problem-solving or life skills of the disadvantaged and to develop local leadership potential among the disadvantaged will be instituted to increase the possibilities of self-help and the readiness to take advantage of opportunities which appear.

WORK ACTIVITY PROJECTS

In many cases the services for preparing the more severely disadvantaged for employment will have to be undertaken on an even broader basis. The first steps have already been taken with the introduction of "Work Activity Projects" under the Canada Assistance Plan. As defined by the Act, the purpose of such projects is: "to prepare for entry or return to employment, persons . . . who, because of environmental, personal or family reasons have unusual difficulty in obtaining or holding employment or of improving through participation in technical or vocational training programs or rehabilitation programs, their ability to obtain or hold employment".

One project is now well underway. The Manitoba Associated Northern Work Activity Projects, M.A.N.W.A.P., is a major effort to respond to the initiative of five communities – Pelican Rapids, Mallard, Duck Bay, Crane River and Camperville – to improve their communities, get their able-bodied men off welfare, develop their human resources, and improve their economic base.

Activities in each of the communities are co-ordinated through the M.A.N.W.A.P. board which is composed of a participant from each community, representatives from the Manitoba Metis Federation, the Northern Association of Community Councils and the provincial government. The management system of M.A.N.W.A.P. is one of its most innovative features. The activities in each community are developed, supervised and managed by a local Project Operations Committee, composed of one manager-trainer, a vocational rehabilitation counsellor and six local participants. For these participants the Committee provides an "on-the-job" training vehicle in management skills. This approach not only provides training and experience in the crucial area of management which has all too frequently been ignored, but it also reinforces the system of participation and control by participants, thus improving motivation.

M.A.N.W.A.P. involves some 100 participants using a continuous intake system as vacancies occur. Some of the interrelated projects which have been undertaken to date include small business management training for store owners and other small businesses and academic upgrading developed on an individual basis. Ten houses, two in each community, were constructed by M.A.N.W.A.P. participants receiving instruction in all aspects of housing construction. In addition, about 50 houses were repaired and renovated. A training program in the manufacture and design of concrete could evolve into the establishment of a local plant if the feasibility studies are positive.

In Manitoba a unique dimension has been added to the "Work Activities" concept by using the projects to explore with participants some of the economic development possibilities of their communities. Feasibility studies being carried out through M.A.N.W.A.P. concern furniture building, tourism and recreation facilities, a sawmill and a processing plant for fish by-products. Where the projects prove feasible, the use of various development vehicles on a private, co-operative, community or crown basis will be pursued.

M.A.N.W.A.P. will run initially for a three-year period. The project is the largest of its kind in Canada. It is an attempt to achieve not only economies of scale in operations, but also a community impact – a threshold stage – which will generate a self-help dynamic and overall results greater than those that would result from its component pieces alone.

Additional Work Activity Projects are now getting underway; more are in the planning stages. The ultimate success of the projects will depend on developing effective linkages to long-term jobs. It is in this area that Manitoba will provide added support to its work activity projects through the key economic portfolios.

PRIVATE SECTOR EMPLOYMENT OF THE DISADVANTAGED

Public sector efforts to develop meaningful employment opportunities for the disadvantaged who need and want work are not enough. The initiative, creativity, energy and resources of the private sector must also be utilized if substantial numbers of the disadvantaged are to be effectively integrated into the labour force.

The problem of the unemployed disadvantaged cannot and should not be solved by public sector action alone, for the public sector cannot by itself provide the variety and flexibility of programs necessary to integrate the substantial number of disadvantaged into the labour force. Even if the public sector were capable of dealing with this problem on its own, this would be undesirable because it could easily lead to the "ghettoization" of the disadvantaged in public sector employment. Furthermore, the government can only deal with the effects of the problem and not the direct causes. It is the private sector which is basically responsible for this problem and thus it is the private sector's responsibility to eliminate it.

It is now generally accepted that the market mechanism does not necessarily lead to the best of all possible results in all cases. Indeed, it does not always lead to even acceptable results and unfortunately, it is often third parties who are required to bear the negative consequences. For example, in the almost classic case of pollution, the costs and the real dangers have fallen on the community at large rather than on either the producer or the consumer of the products of the pollution creating process. If the public assumes the full cost of pollution "clean-up", there is no incentive for the private sector to stop polluting. Thus it is necessary for the costs of pollution, both its clean-up and prevention, to fall on those responsible for its creation. Inevitably, some of these costs will be passed on to the consumer but at least this results in the private price of such goods more closely approximating their true social price.

Similarly, unemployment results in direct social costs to all levels of government. These include the costs of direct transfer payments to the unemployed, (unemployment insurance and social assistance), the costs associated with increased alienation, social tension, family breakdown and the cost of various programs of rehabilitation and the maintenance of social order. As well, there are the negative effects on the individuals directly involved. If these costs are to be reduced and eventually eliminated, then it is necessary, just as in the pollution case, that the private sector which is the causal source of these costs have primary responsibility for their elimination. In other words, the private sector must practice "good corporate citizenship" in seeking ways to ensure the disadvantaged meaningful employment.

At the same time, the government is not suggesting that the private sector be required to perform this heavy task unaided. The province does reject, however, the now traditional approach of providing government services and grants to the private sector for the achievement of public objectives. Rather the government has and will continue to stress that the private sector has a responsibility for the employment of the disadvantaged. The approach is one of identifying primary responsibility and beginning to develop minimum social standards for corporate operations. Responsibility and accountability can and should be applied at the level of the individual firm.

The concern then is to develop and implement employment standards for industry with respect to the disadvantaged. For the present, the basic employment standards are defined as follows: (a) companies should hire local area residents before recruiting elsewhere, whenever possible, and (b) companies should make special efforts to employ – recruit, train and retain – disadvantaged persons.

The guideline for performance should be whether or not a company's work force is roughly representative of the population in the area in which it is operating or of the province as a whole depending on the scale of its operation. This guideline would be applied not simply to the total work force of a company but to the various occupational levels within it.

The Province's attitude is one of giving the private sector the time and opportunity with respect to their social responsibility in this area. However, if positive and effective action is not forthcoming there would be no alternative but to take more direct and rigorous action.

In addition to the approach outlined above which emphasizes the private sector social responsibility for the employment of the disadvantaged and the province's role in reviewing and ensuring that this responsibility is met, the province would continue to improve existing public sector programs of training and social and family services.

Recognizing as well the serious extent of the problem of participation in the economic life of the community for the handicapped, government programming for this group will be reinforced. Services can be provided to private industry to help them determine ways and means of utilizing the handicapped in their production processes including the provision of engineering and technical consultation services with respect to technological and engineering modifications to increase opportunities for the handicapped to participate in their regular work force.

THE DUAL LABOUR MARKET

To this point, the discussion of manpower policies and programs has been concentrated on ensuring opportunities for economic participation for all. This section is concerned with the structure and trends in employment patterns as they reflect the type and quality of employment opportunities available.

In recent years the dual labour market theory has been developed to explain the continued persistence of unemployment and low-wage employment despite significant investment in training and "human" capital. This theory accurately portrays several features and dynamics which are characteristic of the Manitoba situation.

The dual labour market theory argues that there is a primary and a secondary labour market. The primary labour market is characterized by large firms with significant market power (ability to set the prices charged for their goods and/or services), high productivity, high wages, stable employment, job security, and a high degree of labour organization. The secondary labour market has almost the opposite characteristics – many smaller firms with insignificant market power, low productivity, low wages, unstable employment, and little labour organization.

The theory suggests not only that there are two labour markets but that mobility between the two is limited by the industrial structure and the characteristics of the two markets. Productivity is seen as a characteristic of industrial processes and market power rather than as an attribute of individuals. Thus, if all other things were equal, those who are unemployed or employed at low wages could perform highly productive labour within the primary labour market sector with no more than the standard term of on-the-job training. However, individual "productivity", training or skills are not seen as the determinants of upward mobility.

Indeed, training and welfare are seen as simply extensions of a secondary labour market with the same low income and unstable tenure characteristics. People in the secondary labour market, prevented from entering the primary labour market by the limited number of primary jobs, labour organization in that sector and the screening processes established to recruit "stable and reliable" employees, simply circulate between training, welfare and low-wage employment. Training, while it may improve the trainees' wage position somewhat, rarely leads to entry into the primary sector. And sooner or later the unstable nature of secondary employment – layoffs, company failures, or employee frustration and alienation – lead back to welfare and/or further periods in training. Thus, the dual labour market theory focuses on recommendations for institutional and structural change in the economy.

As can be seen in Table 3-1, a clear employment wage hierarchy exists in Manitoba. In fact because the figures given are average, rather than actual, weekly earnings and do not include professionals, the table significantly understates the size of earning differentials. If an average wage of $2.00 an hour is taken to define the upper limit of the low-wage or secondary labour market sector in Manitoba, the service, retail trade and clothing industries fall within that sector. These industries represent approximately 44 percent of Manitoba's non-agricultural labour force and by conservative estimates between 25 and 30 percent of all non-agricultural employees actually earn less than $2.00 an hour. Thus even by this minimal definition there is a significant low wage sector.

Moreover, this sector is growing more rapidly than other industries which taken together can be considered as a high-wage sector or primary labour market. Between 1961 and 1970 employment in the service, retail trade and clothing industries increased by an annual average of 4,080 jobs. During the same period the high-wage sector (mining and milling, construction, transportation, communications, public utilities, and durable goods manufacturing) grew by 1,850 jobs per year.

High-wage sector employment which constituted about 56 percent of total employment at the end of the period shared only 31 percent of the new jobs created between 1961 and 1970. In the latter half of the period 1966 to 1970, the average annual number of new low-wage sector jobs was 2,660 and the average annual increase in high-wage sector jobs was 1,790. High-wage sector jobs constituted only 40 percent of the jobs created from 1966 to 1970.

Nor is there any sign of significant improvement in the relative wage position of the low-wage sector. Between 1961 and 1971 wages in personal services, retail trade and hotels, restaurants and taverns increased by 58.6 percent, 45.1 percent and 57.1 percent respectively The industrial composite increase was 68.1 percent for the same period. The increase was 95.9 percent in construction, 74.9 percent in transportation, communications and public utilities, 79.7 percent in mining and milling, and 73.1 percent in manufacturing. Thus wages in the secondary labour market were increasing at a slower rate than the average. Table 3-1 shows an actual decline in the relative wage position in the clothing, retail trade, insurance and real estate and (personal) service industries. There is evidence that

TABLE 3-1

AVERAGE WEEKLY EARNINGS BY INDUSTRY MANITOBA, 1961 AND 1971

(dollars)

			1961	1971	Percentage Increase
1.	Mining including Milling		99.02	177.94	79.7
	(a)	Metals	102.06	179.63	76.0
2.	Manufacturing		72.25	125.06	73.1
	(a)	Durable Goods	77.92	134.55	72.7
	(b)	Non-Durable Goods	69.24	117.98	70.4
	(c)	Food and Beverages	76.41	131.19	71.7
		i. Foods	75.24	128.59	70.9
		ii. Slaughtering and meat processing	89.50	151.96	69.8
	(d)	Clothing	46.91	79.45	69.4
		i. Men's clothing	43.56	89.02	81.4
	(e)	Printing, Publishing and allied industries	75.26	129.71	72.3
	(f)	Metal Fabricating	82.51	139.27	68.8
	(g)	Transportation Equipment	79.52	131.90	65.9
3.	Construction		84.20	164.93	95.9
	(a)	Building	84.04	164.71	96.0
		i. General Contractors	84.53	164.28	94.3
		ii. Special Trade	83.29	165.16	98.3
	(b)	Engineering	84.50	165.63	96.0
4.	Transportation, Communication and Other Utilities		81.91	143.22	74.9
	(a)	Transportation	83.76	143.29	71.1
		i. Air transport and services	102.36	177.0	72.9
		ii. Railway transport	86.23	150.30	74.3
		iii. Highway and bridge maintenance	71.10	124.43	75.0
	(b)	Storage	71.19	124.29	74.6
	(c)	Communication	75.40	140.46	86.3
	(d)	Electric Power, Gas and Water	87.40	158.56	81.4
		i. Electric power	88.30	163.31	84.9
5.	Trade		65.24	101.19	55.1
	(a)	Wholesale Trade	72.78	125.38	72.3
	(b)	Retail Trade	60.01	87.08	45.1
		i. Food Stores	44.33	95.54	115.5
		ii. Department Stores	61.36	74.28	21.1
		iii. Automotive Product Stores	73.70	119.46	62.1
6.	Finance, Insurance and Real Estate		70.38	121.87	73.2
	(a)	Financial Institutions	65.12	119.80	84.0
	(b)	Insurance and Real Estate	75.90	123.96	63.3
7.	Service		50.19	83.97	67.3
	(a)	Personal Services	41.15	65.28	58.6
		i. Hotels, Restaurants and Taverns	40.22	63.17	57.1
8.	Industrial Composite		73.66	123.84	68.1

Source: Statistics Canada, *Employment Earnings and Hours* (72-002) industrial wage differentials are widening over time and that a significant low-wage sector is growing in size but deteriorating in its relative wage position. This result would appear to be consistent with the greater *inequality* in the distribution of income between 1963 and 1970 as illustrated in Table 2-6.

Even the assumption that productivity and hence the wage level is a characteristic of industrial processes and not an attribute of individuals tends to be borne out by the Manitoba evidence. In a study covering 10,178 unskilled workers in 18 occupational groups, 4,578 were associated with the secondary labour market industries while 5,600 were identified with primary labour market industries. All the jobs involved required no skill or training and were performed under close supervision. In other words, there was no difference between the unskilled labour in the secondary labour market and that in the primary labour market industry. Yet the average wage for the unskilled workers in the secondary labour market was $1.79 an hour while that of unskilled labour in the primary sector was $2.82 an hour.

The view that welfare is, at least for the employable, an extension of the secondary labour market also seems to have some validity. There is some indication that employable welfare recipients do move back and forth between low income jobs and welfare. The turnover rate for Manitoba welfare recipients classified as unemployed employables was 104 percent during 1971 and for persons receiving income supplementation it was 108.5 percent. Even with mothers' allowance cases, the turnover rate was 54.6 percent. Additional evidence pieced together from various studies dealing with employable persons on welfare indicates that periods of employment, unemployment and welfare dependency are recurring for most unemployed employables. For the most part they are unskilled and when employed are in low-wage industries. Other welfare recipients, those receiving income supplementation, are persons in low-wage industries whose wage earnings are not sufficient to meet the needs of their large families.

In much the same way the Guaranteed Employment System would in part become a segment of the secondary labour market. This underlies the fact that the G.E.S. is not designed as a permanent employment scheme for any particular individual. Rather it is a temporary holding scheme to provide employment while adjustments are made to absorb the unemployed in regular employment.

The structural question raised by the dual labour market theory is, in effect, how do we ensure that regular employment opportunities are created in the primary labour market?

It is generally assumed that training is an effective means to upward mobility. Yet with increasing and alarming frequency trainees are entering courses simply for something to do and because the training allowances are higher than welfare payments. Expectation of employment, let alone improved labour market standing, are often low. Course completions run at a rate averaging about 65 percent, and, on the average, only 30 percent to 35 percent of native people complete courses.

Some of those who do not complete courses drop out to take jobs that become available. However, this simply demonstrates that training was a "holding operation" – a component of the secondary labour market. For those who do complete, the rate of unemployment is reduced and earnings are somewhat increased but in general are still within the low-wage sector. The rate of wage increase resulting from course completions for manpower trainees in 1970 is lower than the all-industry average increase for men, and although the increase is very significant for women, it represents *in their case a small cash improvement* over a very low starting level. On the whole, then, training is a holding pool for unemployed persons in the secondary labour market which, while slightly improving their situation generally, results primarily in their recycling into secondary labour market jobs.

The reasons for this are varied. In some cases, employers will not accept the training provided as meaningful because little or no applied experience was included. In other instances the course may well have transmitted skills effectively but various forms of credentialism prevent the trainee from finding high-wage employment. Such credentialism may involve government or union certification standards or employer educational criteria. Other barriers to upward mobility include employer discretion (or discrimination, depending on one's point of view) in hiring practices. Hiring, despite human rights legislation, may often be based on race, sex or age criteria. The trainee's previous employment record can also often become a barrier.

The strength of these barriers varies directly with the strength of demand for labour. In a full employment economy they tend to be reduced. But if full employment is simply the result of a provincial government G.E.S. program, the private sector will continue to exercise its full discretionary or discriminatory powers and the public sector will have to employ all those who face serious discrimination. This situation, while achieving the objective of full employment is unacceptable: thus the emphasis on private sector responsibility for the employment of the disadvantaged as outlined in the previous section.

Even if these barriers are removed and training is effective in achieving its objective of improved productivity, earnings and upward mobility for the individual, the structural implications of the dual labour market theory would remain. Without full employment, training and *upward mobility would only lead to the* displacement of other persons in the employment hierarchy as the trainees are hired. Training simply cannot alter the hierarchy itself. The structure of aggregate demand, market power and the legal framework are the prime determinants of the employment/wage hierarchy. Institutional and structural changes are required if training is to become an effective instrument for upward mobility in an aggregate sense.

This emphasizes the need for manpower policy to be directly related to economic development policy in general and industrial policy in particular. For only in this way can it be assured that the number of primary labour market jobs are increasing. To some extent, a G.E.S. program, by requiring construction equipment and material, will increase the aggregate demand for primary labour market goods. Other measures to direct government spending can further this result as can the promotion of new primary sector industries based on import substitution and/or export markets.

It will also be necessary to increase wages in the secondary sector. This can be accomplished over time in a number of ways. The new Labour Code with its clear commitment to the collective bargaining process including easier certification procedures should lead to increased unionization in the secondary labour market which will provide low wage employees with an increased capacity to bargain for higher wages. However, it should be noted that if further unionization occurs only in the lower reaches of the primary labour market, then the relative position of seconday labour market employees will worsen.

Another measure which has already been taken by the provincial government is the increasing of the minimum wage. It is the full intention of this government to keep steady upward pressure on the minimum wage to ensure not just employment but decent wages for all its citizens able to work.

The Guaranteed Employment System would complement such a wage strategy by ensuring that sufficient employment is available at the minimum wage to absorb any unemployment that might result from the elimination of low-wage jobs following an increase in the minimum wage.

QUALITY OF THE WORK ENVIRONMENT

The previous sections of this chapter have dealt primarily with the question of ensuring participation for all in the economic life of the province. This section deals with the quality of the work environment and hence, the quality of the opportunities for participation. This too is a crucial dimension of manpower policy and all the more so because it affects not only those for whom participation must be ensured but the entire labour force.

The most obvious factors affecting the quality of the work environment are working conditions such as hours of work, holidays, rates of pay, industrial health and safety standards, job security and employee benefits.

Legislation passed at the last session of the provincial legislature sought to raise minimum working conditions and to provide a free but supportive framework for the expansion and application of collective bargaining so that improvement in working conditions beyond the minimum can be negotiated and jointly agreed to by employer and employee representatives.

Among the improved minimum standards are a reduction of the standard work week from 48 to 44 hours, maternity leave of up to 17 weeks with job protection, extension of the Employment Standards Act to cover professional homemakers and to domestics employed by nursing homes and similar agencies, and provision for the reopening of negotiations where an employer introduces a technological change with significant employment effects. Employer-employee action in accident prevention and industrial health standards has been promoted and improvements have been instituted in the Workmen's Compensation system. As well, the general minimum wage has been increased by 40 percent during the term of this government.

Collective bargaining has been facilitated in a number of ways. The application of the Labour Relations Act has been extended to new groups of employees including independent contractors, supervisory and professional employees. The list of prohibited employer acts under the unfair labour practices section of the Labour Relations Act has been extended and the onus of proof in cases of alleged unfair labour practise has been shifted to better protect the individual employee. The requirements for the certification vote have been eased and, while an application for certification is before the labour board, alterations in wages or working conditions have been prohibited.

This government recognizes the clear responsibility of labour and management to resolve their own differences through collective bargaining and has sought to minimize government interference in this process except where it is voluntarily requested by the parties involved. Also the legislative and program changes this government has undertaken provide very significant enabling steps for the expansion of union organization into presently unorganized sectors of the economy so that collective bargaining will be extended to these areas.

The major and immediate responsibility for further action in this area now lies with the labour movement. Only the concrete efforts of workers and unions putting the new legislation into action will determine the extent to which working conditions and the quality of the work environment can be improved under the new legislation, and extended to new groups particularly those in the secondary labour market.

As the short-comings and difficulties of the new labour code become obvious this government will make the appropriate changes. The Province is clearly committed to the expansion and extension of collective bargaining to new sectors of the economy and particuarly to workers in secondary labour market industries — the garment, retail trade, and service industries. If further action proves to be necessary to achieve this objective it will be forthcoming.

It is also the intent of this government to maintain a continuous review of labour market conditions and employment standards and to exert a steady upward pressure in all areas within the constraints imposed by operations within the national economy. Such review and pressure would be applied in particular to the minimum wage in order to improve the income position of workers in the secondary market as discussed in the previous section.

One great difficulty with the present system of minimum standards for working conditions is their fixed nature. They do not adjust with changes in the general economic and labour market situations. They can only be changed by specific action on the part of the legislature.

A parallel to this situation can be seen in the case of old age pensions, particularly before the escalator provisions were provided in relation to the guaranteed income supplement. Previously, the old age pension could only be changed by an Act of Parliament. The income position of pensioners was continually eroded between changes. Certainly there is now general agreement that old age pensions should be increased in accordance with the increase in costs of living, if not in relation directly to the increase in incomes and wealth in general, and that such increases should occur automatically and regularly and not require special attention or action by Parliament each time. Acts of Parliament would only be required when there is a desire to change this relative standard itself.

The same considerations apply with respect to working conditions: as the general level of working conditions improves in the economy and as the economy grows it should be possible to automatically and regularly upgrade minimum labour standards or working conditions. This government intends to further pursue this concept and experiment with appropriate frameworks for allowing automatic and regular upgrading of working conditions in line with general changes in such conditions within the provincial economy. In this way it is hoped to ensure that working conditions of the low paid sectors of the economy do not deteriorate in comparison with those of the higher wage sectors.

The Government of Manitoba can also seek to assist in whatever ways are appropriate with efforts on the part of both labour and management to increase the flexibility of work arrangements. Generally, the development of alternate work patterns to the present eight hour, five day week in ways which will be consistent with industrial health standards and the general well-being of the workers involved is seen as a desirable objective. Changes in the length of the work day and work week, job sharing arrangements and earned leave provisions are some of the alternate arrangements which can be tried.

The development of these and other alternatives would increase the options available for participation in the economy. The elderly and other persons who may only wish to work part-time will have greater opportunities for participation in the economy. Longer weekends or holidays and earned leave periods would result in expanded leisure opportunities and increased educational possibilities.

While there can be little doubt that proliferation of such arrangements will lead to increasingly complex management and scheduling problems as well as problems in establishing effective health standards, the options and opportunities made available will be a general social good.

The question of working conditions discussed above dealt primarily with the material dimensions of the job. However, if the overall quality of the work environment is to be improved, it is also necessary to deal with the social and psychological dimensions of the work environment.

Questions of alienation, social fragmentation and job satisfaction are increasingly significant not only for the individual worker and the work place itself but also for the community and society as a whole. The social and psychological repercussions of the social relations of production – division of labour, job hierarchy, methods of direction and supervision, extremely specialized or repetitive work – must be examined. A growing volume of experience indicates substantial room for improvement in the possibilities for self-development or self-actualization on the job by altering production processes. Indeed, this is part of the way in which employment projects for the disadvantaged accomplish successful employment for people whom the private sector has failed in the past.

In essence, what is required is a humanization of the work environment, a reassertion of the value of the individual and a recognition of his needs in the production process. Methods which have already been used to achieve this include: enlarging individual job descriptions, enriching jobs by adding new dimensions and responsibilities, rotating jobs to give a broader range of experience and some identification with the overall process and product, and generally increasing worker participation in the organization of production and the determination of his role in it. The entire thrust of these changes is based on the *Guidelines* principle of participation. Properly implemented, such participation can lead to increased productivity through increased job satisfaction and consequently an improved situation for an individual, firm, and society.

Some of the dimensions of the job satisfaction issue, particularly those at the shop floor level, can be dealt with through the established collective bargaining procedures. Job definitions and work speed-ups are often issues for negotiation and grievance procedures. However, there is a longer-run need to establish a broad approach to the organization of production at the shop floor level and participation in decision-making at that level. There is a need to establish affirmative economic or industrial democracy; it is not simply a question of the extension of the negative veto.

The third aspect of the quality of the work environment is the alienation which exists in the division between the work place and the community. In part this is an extension of the question of the social responsibility of the corporation.

Work has become increasingly segmented from the rest of life. Spouses and children do not really understand the nature of the individual's job, let alone identify with it. The worker himself participates only in a small part of the production and rarely, if ever, enters the broader transactions related to the community at large.

An important aspect of humanizing the work environment is to redevelop linkages between the community and the industrial enterprise so as to create a more integrated and cohesive social structure. The social responsibility of the private sector can be increased. For example, day care centres can be provided at the work place for use by the community.

Some public services could be provided by using facilities in association with industrial enterprises or by recognizing the plant as a primary institution in society where basic services can be provided directly. Thus health services for workers, and particularly those of a preventive nature, can be provided at the plant. In general, health and social service records should be more closely tied to job records to ensure improved diagnosis and treatment of persons seeking medical and social assistance. In this area, the government would seek to experiment and develop linkages for building a more integrated and socially cohesive community.

The direction indicated for the 70's are of a general policy nature although in some instances it has been possible to indicate more specifically the type of framework which will be established in relation to the general policy. Nonetheless, it remains true that the quality of the work environment, particularly with respect to its social and psychological dimensions has been dangerously ignored to date. Thus, it is this government's intent to refine the directions indicated here and to develop specific programs of action in the coming years.

WELFARE AND MANPOWER POLICY

A discussion of manpower policy is incomplete without consideration of its relationship to the welfare system. This is necessary if only because of the constant claim that there are persons receiving financial assistance who could and should be employed. But, more importantly, it is necessary because of the intimate relationship between welfare and employment as systems of income distribution and the need to recognize this relationship through integrated and complementary programs in these areas.

Both the welfare and employment systems are means of distributing income. The welfare system is based on a determination of needs: in other words, it is a needs oriented system. The economic or employment system is based on production and the contribution of the individual to the production process: in other words, it is a production-oriented system. At present, the welfare system does not and cannot assure that able bodied persons in receipt of welfare are being at all productive. Indeed the present system fully discourages participation by welfare recipients in productive employment. All earnings above a minimum monthly figure are deducted in total from the basic welfare payment thus imposing an extremely high rate of taxation on earnings. Indeed, because some of the expenses associated with working are not included in establishing basic welfare payments the effective rate of taxation can in some instances be greater than 100 percent. In these cases, a person is actually worse off if he works.

On the other side, the production-oriented economic system does not and cannot ensure that needs are met by its distribution of income. This is particularly true for the unskilled or low skilled worker with a large family. His low earnings are often not sufficient to meet the needs of his family and thus he would be better off under a needs-oriented welfare system. The program of income supplementation whereby a person's earnings are supplemented up to the level he would receive under a needs-oriented welfare system has been developed to at least ensure that a person in productive employment is not worse off than the same person would be simply receiving welfare payments.

So the basic question then is how to reconcile a needs-oriented welfare system with a production-oriented employment system. In part, the recommendations growing out of the dual labour market section of this chapter with respect to improving wages at the lower end of the employment/wage hierarchy and increasing the number of high wage jobs will help to reduce the size of the problem, but cannot by any means eliminate it.

To achieve such a reconcilation it is necessary to introduce into the welfare system an incentive scheme which will encourage employment. Earned income cannot be taxed away at anywhere close to 100 percent. In these circumstances, there is absolutely no reason to work. Thus, an employment incentive system allowing persons on welfare to retain a significant portion of their earnings from employment will be initiated as soon as possible. Not only will this ensure a work incentive for persons on welfare, it will also ensure the needs of large families are met, whether the person is employed in a G.E.S., the public sector or the private sector but at wages below their need level. In this way, a reconciliation between the needs oriented welfare system and the production oriented economic system would be achieved, at least, in part. The pilot Guaranteed Annual Income project, soon to be implemented by this government, is an example of such a scheme.

This approach should substantially reduce the number of able bodied persons receiving welfare who could and should work (although this number is not very large in any case). Nonetheless, the participation model raises the important question of the legitimacy of society's expectation that such people should work whether or not the job available is meaningful or desirable. However, in the broad range of opportunities available – the G.E.S., public programs for the disadvantaged, and private sector employment – there should be no reason why some opportunities are not available which would be acceptable to all persons able to work. Certainly it is legitimate for society to have an expectation that such persons will work and contribute to the social product and welfare of the society if they are to receive support from the state. However, if persons do not choose to undertake employment in the opportunities available with an incentive scheme and other support provided, then other types of social and emotional assistance may be required as the individual may well have lost a great deal of motivation, confidence, and sense of responsibility. It will be the policy of government to provide these services and to encourage individual participation in the economic opportunities available.

CONCLUSION

Within the Manitoba participation model of manpower policy are five major thrusts:

First, a vehicle is needed which will employ, on a short-term basis, any and all persons displaced by autonomous changes in aggregate demand or federal policy until these people can be reabsorbed into the provincial economy. The government can establish a Guaranteed Employment System to fill this need. This would be a residual employer of last resort scheme which would be operated in such a manner as to employ the unemployed, in socially useful production and service projects.

But the G.E.S. on its own will not be able to ensure active employment for the disadvantaged – for persons who have "dropped out" of the labour force and have given up seeking employment because of their continuing negative experience with "participation" in the labour force; for others fully capable of productive employment who have never entered the labour force due to their perception of the prospects; for the hard core unemployed, who are officially in the labour force but suffer from long and repeated periods of unemployment. These persons are disadvantaged socially and culturally in terms of their readiness for, and accessibility to meaningful and socially productive employment. Yet, given appropriate assistance and opportunity, they could and would make a positive contribution to the social product and welfare of Manitoba.

Thus, the second major component of Manitoba's manpower policy would be development of concerted entrepreneurial action and comprehensive integrated programming to develop and support meaningful and socially productive employment opportunities for the disadvantaged, bringing as many as possible into full labour market participation. In this effort the experience and potential of present programs such as the New Careers Program, Manpower Corps "enterprise" projects, and Work Activity Projects will be brought together and built upon. As well, the Province's input into vocational and family counselling, placement, industrial liaison, life skills, and leadership training will be augmented.

However, it is not enough to employ the disadvantaged in the public sector. The ghettoization which would result is unacceptable. The third major thrust of Manitoba's manpower policy would be, then, to ensure private sector employment of the disadvantaged. This is, in essence, a balanced approach to the employment of the disadvantaged, recognizing and insisting upon the social responsibility of the corporate sector of our society. The expectation of this government is clear: the private sector must employ the disadvantaged. Where this is not now happening, the government will support such positive action. However, it will also be closely monitoring the response and performance of the private sector to our clear designation of its social responsibility.

In addition, Manitoba's manpower policy would focus on the nature and quality of the employment opportunities already available to people in Manitoba. The existence of an employment/wage hierarchy with all too many workers "trapped" in low wage, low productivity, high turnover, industries is recognized. Thus, the fourth component involves how manpower policy can increase the "market power" of workers in the low wage sector, continue upward pressure on low wages, and through government policy in general facilitate the development of higher wage jobs.

The fifth and last component of Manitoba's manpower policy is concerned with improvement in the quality of the work environment. This involves general and continuing improvements in labour standards, working conditions, and the collective bargaining system as well as improvement in the social and psychological dimension of the work environment through greater participation in the production process and shop floor decisions and the closer linking of industry and the community.

As well, the conflict between a needs-oriented welfare system and a production-oriented employment (economic) system will be reconciled, at least in part, through the introduction of an employment incentive system, which will end the absurd situation which now exists where some people are better off on welfare than working.

With these major thrusts Manitoba would be able to achieve by the end of this decade full and meaningful employment for all its citizens needing work and the general quality of work opportunities will be up-graded. In short, individuals would not only be able to participate but the opportunities for participation would, to a greater extent, be oriented to individual needs.

Chapter 4
Agriculture

Agriculture

THE PRESENT SITUATION

Today farmers are riding the crest of a boom born only a few short months ago, but for the nearly three decades that have passed since World War II, low incomes and migration of people from the farms have characterized the farm situation in Manitoba. The history of prairie agriculture teaches us that boom periods are usually short-lived, that the depressions which usually follow them can be deep and prolonged, and that the periods between the booms and the busts are typically characterized by inadequate incomes.

No matter how the farm situation is analyzed, whether one concentrates on the problem of stagnant or declining prices for farm products (as was the case from 1967 to 1971), the rising costs of goods and services purchased by farmers, the lack of capital, insufficient or improper resource use, or poor management, the result is always the same: insufficient incomes for farmers and their families in all but a few exceptional years.

Reduced to the bare essentials the farm income problem has two major aspects – total income to the agricultural industry is usually too low, and there is serious inequality in the distribution of income among farmers. Both can be readily demonstrated.

In 1971, the value of investment in Manitoba agriculture was estimated at $2,000 million. Gross cash receipts were $380 million, overhead and cash expenses $300 million, and net cash income $80 million. Assuming all farmers and their families worked for nothing (i.e. no payment for labour and management), the return on investment was 3.5 percent – less than one-half the going interest rate. Conversely one could place the return on investment at zero and consider the $80 million net cash income as the reward for the 40,000 man-years of labour required to produce the farm output; that would put average labour income at $2,000 per man-year.

The unequal distribution of income among farmers can be shown in terms of gross sales and net income. According to the 1971 census, only 27 percent of all Manitoba farmers sold agricultural produce with a value of more than $10,000 which would be near the minimum required to yield a minimum income from farming. In 1971, about 72 percent of 4,000 farm families interviewed by the Department of Agriculture in rural Manitoba had a net family income of less than $3,000. This survey also revealed that nearly 40 percent of the Province's farmers earned less than $1,000 net income that year. These are total family incomes including money earned by all members of a family as well as old age pensions and family allowances. (See Table 4-1).

These income figures reflect the need to develop agricultural programs and policies at both provincial and federal levels which will boost farm income and ensure its equitable distribution, particularly through enhancing the viability of the small and medium sized farm.

The factors contributing to low farm income are varied and closely interrelated. Agricultural producers lack economic power, yet they must operate in a world which recognizes economic strength. This explains the anomaly of the cost-price squeeze. The industries producing the goods which farmers require for operation of their farm unit possess the economic strength to protect their position in the market place. In addition, industries which process the farmers' produce and sell it to the consumer possess the economic power to command the price levels necessary to maintain and strengthen their position in the market place. But the farmer has lacked the economic strength to affect the prices he pays for goods he buys, as well as the strength to influence the prices he receives for his product.

The result of these forces has been a narrowing of the operating margin within which farmers must work. While in the period 1945-50 overhead and operating expenses in Manitoba agriculture accounted for about 50 percent of gross sales, by the middle of the 1960's they had increased to 67 percent. In the disaster years of 1969-1971 overhead and operating expenses ate up more than 80 percent of the sales dollar. Consequently net farm cash income declined from 50 percent to 20 percent

TABLE 4-1

INCOME DISTRIBUTION OF FARMERS IN NINETEEN MANITOBA MUNICIPALITIES, 1971*

Item	Number of Farms Surveyed	Percent
GROSS SALES		
Below $5,000	1,649	43.8
$ 5,000 to $ 9,999	1,003	26.7
$10,000 to $14,999	493	13.0
$15,000 and over	620	16.5
TOTAL	3,765	100.0
NET FARM INCOME		
Below $1,000	1,824	48.4
$ 1,000 to $ 1,999	566	15.0
$ 2,000 to $ 2,999	561	15.0
$ 3,000 to $ 4,999	491	13.0
$ 5,000 and over	323	8.6
TOTAL	3,765	100.0
FAMILY INCOME		
Below $1,000	1,461	38.8
$ 1,000 to $ 1,999	709	18.8
$ 2,000 to $ 2,999	548	14.6
$ 3,000 to $ 3,999	327	8.7
$ 4,000 to $ 5,999	413	11.0
$ 6,000 and over	307	8.1
TOTAL	3,765	100.0

*Source: Manitoba Department of Agriculture, *Survey of Nineteen Municipalities.*

of farm cash receipts. With the improvement in prices that took place in the second half of 1972, the average operating margin improved to about 30 percent of cash receipts.

The farm income situation is further affected by the wide fluctuation in commodity prices. Sharp changes in farm incomes from year to year are not so much the expection as the rule. In many cases, farmers are forced into debt in poorer years. In good years of better production and improved prices, increased returns may have to be directed towards liquidating debt rather than providing the farmer with increased net income or giving him an opportunity to finance improvements to his farm operation.

The low incomes which the majority of Manitoba's farm population have been receiving have meant that many farmers cannot make a living at their chosen occupation. With such incomes, a great number of farmers are faced with one of two choices — staying on the farm and living in near poverty or moving somewhere else, usually Winnipeg, with the hope of making a better living. Under the present circumstances, many farm families are taking the second choice and leaving the farm at considerable expense in terms of both financial costs and personal upheaval.

In 1941, Manitoba had 58,000 farms; today the number is less than 35,000. Whereas in 1941 a quarter of a million people lived on farms in the province, today there are only half that. Not only has there been a reduction in farm numbers but also the farm population has aged as young people leave the farms in great numbers.

More recently, migration off the farm has been taking place at the rate of about 1,000 families per year. From 1966 to 1971, the number of farms in Manitoba was reduced by 12 percent. Of course, not all this movement from the rural regions is forced. Many people seek better opportunities or different surroundings not because they have to but because they want a different life situation.

As well as drastically affecting the lives of the people who are forced to move, the out-migration of people from rural areas to the city is also costly to society. It has resulted in the death of some small villages and towns as well as a cut-back in service jobs in the rural areas. It has also resulted in problems in the urban centres which must find the resources to accommodate the influx of people from the rural regions.

The four principles of *Guidelines* are perhaps more important to farmers than to any other large group of people in Manitoba.

(a) Maximizing the general well-being of Manitobans:

To meet the implications of this principle will require that the position agriculture holds in the Manitoba economy must be greatly strengthened. The continued decline of employment opportunities in agriculture must be ended and the growing gap between incomes in agriculture and other industries must be reversed.

(b) Greater equality of the human condition:

The second principle, increased equality, has tremendous implications for agriculture when one considers the income disparities which exist between farm and urban incomes. The equality theme has significance within agriculture as well as within a broader economic context. Greater opportunities must be extended to the small and medium sized farmer to enhance the economic viability of his farm unit.

(c) The stay option:

The fact that an average 1,000 families a year are leaving agriculture illustrates the need for the *stay option.* The *stay option* is intended to correct those imbalances which have resulted in people in rural areas being forced to leave farming and the region of their choice due to economic hardship. The *stay option* implies a commitment to strengthening agriculture and stimulating the rural economy so that opportunities for employment in the rural region exist for people who prefer the rural lifestyle. The *stay option* is indeed the central theme of this chapter on agriculture.

(d) Widening participation:

The principle of widened participation will be embodied by agricultural policies aimed at assisting farmers in organizing for the purposes of strengthening their position in the marketplace. For lack of the necessary institutional framework, farmers have found it impossible to influence things so basic as the prices they are paid for their products, or the prices they pay for their supplies. Through effective group action, farmers can realize more meaningful participation in the development of their industry.

Such group action may take the form of producer marketing boards through which farmers can negotiate on prices and conditions of sale, and more generally can influence the direction of the development of their industry.

Thus, it can be seen that these four principles of public policy bear particular and critical relevance to the future of agriculture in Manitoba. However, in terms of overall importance, the *stay option* policy offers a dramatic change from the traditional orientation of agricultural development.

THE STAY OPTION — CENTRAL PRINCIPLE OF AGRICULTURAL DEVELOPMENT

WHY THE STAY OPTION

The typical agricultural situation in southern Manitoba has been described: widespread poverty, a sharp reduction in the number of farms, progressive depopulation of rural areas, and the decline of rural communities. A continuation of this situation would see the disappearance of many thousand more farms by about 1980 along with a corresponding reduction in the size of rural towns and villages. The aim of *Guidelines for the Seventies* is to enable farmers to make a living from agriculture and thus to retard the trend of forced rural depopulation.

The government's commitment to the *stay option* is based upon numerous socio-economic considerations.

If public costs as well as private expenses are taken into account, it has to be realized that millions of dollars are spent in urban areas to accommodate people who move into the city from rural regions. Investment of funds in rural areas, making it possible for people who choose a rural lifestyle to live in the region of their choice, would result in savings in urban areas, because it would then not be necessary for the cities to absorb the high costs of accommodating large numbers of migrants. Providing this element of choice avoids the tremendous human adjustment costs — both financial and personal — involved in forced migration. Many of these costs are difficult to assess but they involve changes in physical and social settings, different employment and work patterns, selling property and finding accommodation, separation from a farm with which the family may have identified for generations or breaking away from family and friendship ties.

Another consideration demanding a commitment to the *stay option* policy is a concern for the future of rural communities. If farm populations continue to decline at past rates, survival of rural centres will be brought into question because of under-utilized community facilities and loss of jobs in thevillages and towns due to reduced economic activity. As well, if rural depopulation is allowed to continue at current rates, the quality of life and the rich and diverse elements of rural living will be drastically upset. A sense of community would be lost and those people remaining in a sparsely populated region would be worse off and in turn might reinforce the problem by migrating themselves out of a sense of hopelessness.

Thus, it can be seen that the *stay option,* and the particular objectives it entails, bear critical significance to the future of agriculture and rural Manitoba.

THREE BASIC OBJECTIVES FOR AGRICULTURE

The four principles of *Guidelines* imply specific objectives for agriculture. These include:

- Expanding agricultural output to raise total income from agriculture. This is necessary not only to maintain the optimum number of farms in the province but also to stimulate total economic activity in rural Manitoba, since farm cash receipts are the major determinants in rural employment.
- Stabilizing net farm income through diversifying agricultural production and through effective action in the marketing of farm products and purchases of farm supplies.
- Enhancing the economic viability of low and middle income producer, through programs geared specifically towards providing the smaller and medium sized farmers with financial and management assistance.

STIMULATING THE RURAL ECONOMY THROUGH AGRICULTURE DEVELOPMENT

The need for programs to increase gross agricultural output, stabilize farm prices, and reduce costs to farmers is obvious if the general level of economic activity in rural areas is to be stimulated. This is so because farm incomes are generally too low relative to costs of living and also because total employment in rural areas is dependent upon cash receipts and expenditures by farmers.

In order to provide the number of jobs required to give rural farm and non-farm residents a realistic *stay option,* farm cash receipts will have to rise substantially by 1980. Programs must be launched which will increase the size and facilitate the equitable distribution of agricultural income. Unless the distributive element is stressed, programs geared towards expansion of agricultural output, stabilizing prices of farm products, and reducing the absolute or relative costs of operation will not have sufficient impact on rural Manitoba.

Therefore, programs geared towards agricultural development must be designed to produce optimum benefits for the total rural community and particularly for the farmers presently in the lower and middle income groups.

- Agricultural production must be expanded through programs enabling farmers, particularly those with smaller farm units, to increase their productive capacity in the livestock area.
- Every effort must be made to stabilize prices at adequate levels through improvement in marketing structures. As well the government of Manitoba should continue to co-operate with other provincial governments to impress upon the federal government the need for a more consistent national policy in support of the Prairie grains producers.
- Efforts should be made also to reduce or keep in check the cost of farm inputs through central purchasing of farm supplies or bulk buying by organized farm groups.

EXPANDING AGRICULTURAL OUTPUT

Expanding agricultural output has been tried in the past as a means of improving agricultural incomes. The record indicates that agricultural production has increased steadily and gradually, but not spectacularly. One major reason for this lack of success in certain sectors such as beef has been the extreme short term fluctuations in market conditions, rendering expansion in this area highly speculative. A policy of expanded production must carry with it measures which will provide producers with the confidence needed to carry through with their long term plans despite short term fluctuations in market conditions. The Manitoba resources devoted to agriculture – land, people, technical know-how, government support services, and capital – are capable of producing much greater output than is presently being achieved. The government is prepared to provide the planning and support required to realize the necessary expansion in production.

The priority areas for increased production are beef, pork, dairy and specialty crops.

BEEF

The development of the cattle industry in Manitoba has been a policy of long standing. Since the report of the Committee on Manitoba's Economic Future (COMEF), it has been recognized that Manitoba could capture a much larger share of Canadian livestock production. Following the COMEF Report, the Department of Agriculture sought to promote expansion in beef production through such programs as community pasture development, experimental and demonstration projects in forage and pasture improvements, beef cattle performance testing, sire indexing, and feed testing services.

Despite the glowing reports on the future of beef production in COMEF and the above government programs aimed at stimulating beef production, the number of beef cattle in Manitoba actually declined in the mid sixties. Under the impact of low grain prices and government livestock incentive programs, cattle numbers have been increasing since 1970. Probably the major reason for the disappointing rate of growth of the livestock industry during the 1960's was the fact that beef production was unattractive relative to wheat production, thus investment in beef production was almost wholly speculative. While there is universal agreement that the long term outlook for beef is far better than for grains, a short term shift in market and price conditions can have devastating effects on long term planning. When farmers are making decisions on maintaining, expanding, or reducing the size of their cattle herd, they must speculate on what beef prices will be 30 to 36 months later. In the absence of certainty about future prices and/or price guarantees, farmers are bound to be heavily influenced by present conditions and the short term outlook when making production decisions.

In addition, Manitoba agriculture has not maximized the income potential from the livestock produced in the province. Historically a significant proportion of feeder cattle and calves have been shipped out of the province to be finished elsewhere. For example, in 1971 a total of 109,216 head of cattle and 251,239 calves were "through billed" from the three western provinces to the east for finishing. Precise figures for the Province of Manitoba are not available; however, a good indication of the magnitude of the problem can be obtained by considering the situation at Union Stockyards in St. Boniface. In 1971, 12,100 head, or 13 percent of all replacement cattle, and 57,670 calves, or 73 percent of all stock calves marketed at the Union Stockyards, were shipped to other provinces and to the United States. On the basis of 1971 prices, the latter figures represented an annual loss of nine million dollars to Manitoba farmers.

There may be many reasons for farmers in this province to sell off their feeder cattle and calves. A major factor is improper land use. A second cause could be lack of equipment and facilities to harvest and store hay and forage. A third may be a distaste for the prospect of being tied down by livestock chores on a year-round basis. Finally, farmers may decide to sell because they are badly in need of cash.

In order to meet the goal of vastly expanded beef production it is necessary both to have programs providing incentives to increase the basic livestock herd and programs to assure that a larger proportion of livestock produced in Manitoba is finished and slaughtered in the province.

The livestock incentive program put into effect in 1970 provides farmers with loans of up to $15,000 to increase the size of their basic herd; 20 percent of the loan is forgivable if the farmer meets the condition of increasing the size of his livestock operation over a five year period. Farmers have received some two million dollars in grants under this program.

The need to improve veterinary services is being met through the establishment of veterinary clinics in rural Manitoba. By the end of this year some 20 clinics will be in operation and 10 more are planned for the next two years.

The provision of artificial insemination services is being improved and expanded. Other programs such as the establishment of grassland societies and experimental projects in silage feeding are being carried out. Assistance is being provided through the credit facilities of the Manitoba Agricultural Credit Corporation to encourage the development of feedlots. New programs to retain feeder cattle and stocker calves in Manitoba will be launched in 1973.

PORK

Manitoba had a relatively high production of hogs during the war time period when just over 500,000 hogs were marketed per year. Production declined immediately after the war and then remained fairly constant during the late 40's and 50's. The half million mark was not surpassed again until the mid 60's. In 1970, hog production in Manitoba exceeded the one million mark for the first time. Marketings reached 1.3 million hogs in 1971. However, this peak in production coincided with a disastrous drop in hog prices. Some producers went bankrupt, while others lost confidence and cut back in production so that marketings in 1972 declined by about eight percent.

In January, 1972, the Manitoba Hog Producers' Marketing Board went into operation. Prices improved greatly during 1972, and the producer board launched an energetic program of market development culminating in the sale of a minimum of 300,000 hogs to a Japanese company under a three year contract. The market potential for Manitoba produced pork in California and Japan is very promising, and the marketing structure pioneered by the Manitoba Hog Producers' Marketing Board is proving to be an excellent vehicle to exploit the market potential.

Plans are underway to create an integrated hog marketing system within the provinces of Manitoba and Saskatchewan, and there is a possibility Alberta will become part of the system at a later date. The formation of such a bloc could have an immediate beneficial effect on prices to producers. In the long run, it could result in new patterns of production and marketing with greater price stability and less fluctuations in supply. Thus, through joint efforts of the Marketing Branch of the Manitoba Department of Agriculture and the Hog Producers' Marketing Board, it should be possible to greatly increase pork production in Manitoba while avoiding the disastrous drops in prices that have accompanied production increases in the past.

DAIRY

As part of the agreement with the Canadian Dairy Commission signed April 1, 1972, Manitoba has been allotted a share of the national industrial milk market of 19.6 million pounds of butterfat. Current production is approximately 15 million pounds. Unless Manitoba is able to expand production up to the 19.6 million pound quota by the expiry date of the agreement, April 1, 1975, the danger exists that four and one-half million pounds of the allotted quota may be reabsorbed by the dairy commission. To take full advantage of opportunities in this area, it will be necessary to increase milk production by about three to four million pounds of butterfat within the next three years.

In view of the continuing production decline in farm separated cream and higher returns in the industrial milk sector, it will be necessary to emphasize increasing industrial milk production. This may be brought about through conversion from cream to milk production, through increase in production by existing producers, and through the introduction of new milk producers. Production increases may be facilitated through incentive programs, management assistance, and co-operative enterprise. The latter vehicle, which is discussed at greater length in the production co-operative section of this chapter, offers the opportunity for expansion to the smaller producer with the advantages of economies of scale.

The additional gross returns to industrial milk producers in Manitoba resulting from an increase in production of four million pounds of butterfat, assuming a price of $5.00 per hundredweight of industrial milk, would be six million dollars. The value of processed dairy products resulting from this increased production would be about seven million dollars. Thus, the increase in gross revenue to the province from expansion of the dairy industry would be about $13 million per year.

SPECIAL CROPS

Special crops such as buckwheat, musta seed, red beans, and lately faba beans h traditionally been more important in Manitoba than in the other prairie provinces. The market potential in Japan f these crops, particularly buckwheat and mustard seed appears to be very good, but Japanese customers are not satisfied that adequate quality control is maintained or that the supply of these products is reliable. A more effective meth of marketing these products must be devised.

GRAINS AND OILSEEDS

A few words need to be said about government policy with respect to grain and oilseeds. Historically, about 55 per cent of Manitoba's farm cash receipts have come from the sale of crops and 45 percent from the sale of livestock an livestock products. Since 1968 this historic relationship has undergone a dramatic change and was in fact reverse Due partly to restricted markets and low prices for grains, and also to rapid increase in livestock production, farm cash receipts from livestock and livestock products accounted for 55 percent of the total in the period 1969-1971. The growing importance of the livestock sector is further illustrated by the fact that in 1972 when grain marketings wer very high and prices were vastly improv cash receipts from crops were still slight below livestock receipts.

It is recognized that policies respecting the production and marketing of grains and oilseeds are a national responsibility Too often in the past the national respo sibility for grains policies has been an excuse for provincial governments to refrain from making any effort to influence the direction and content of federal agricultural policies. During the past three years we have witnessed a dramatic change in this respect.

The release of the report by the Federal Task Force on Agriculture and the proposed Prairie Grains Stabilization Plan brought about a confrontation between Manitoba and the federal government. For many months the government of Manitoba stood alone in defending the rights of prairie grain producers to a minimum net return for the grains they produced. The governments that came to office following the elections in Saskatchewan and Alberta in 1971 joined Manitoba in opposing the proposed stabilization plan and through the joint efforts of the three provinces the federal government was forced to withdraw the plan proposed in Bill C-244.

The preparedness of provincial governments to play an active part in shaping federal policies cannot fail to have beneficial effects for the farmers in this province. With respect to grain, the government of Manitoba will continue to insist that any stabilization program must contain provisions that will guarantee a minimum net return for the producers.

The wide savings from prosperity to depression, from boom to bust, do not have to be accepted as inevitable and irremediable. That producers as well as federal and provincial governments are prepared to examine means to bring about greater stability is, by itself, progress. Given such willingness to find solutions there is reason to expect a much greater degree of stability in the grains sector of Manitoba agriculture in the future. The Manitoba Feed Grains Marketing Commission is part of the institutional framework required to achieve stability.

PRODUCTION, MARKETING, AND PRICES

It is often argued that expansion in agricultural production will inevitably lead to a decline in prices. Certainly many examples can be cited from prairie history to show that an increase in production has led to a drop in prices. It is often overlooked, however, that in many instances the expansion took place at an extremely rapid pace, was totally unplanned, and was in response to an unexpected and usually temporary supply and demand situation. When the unusual circumstances causing the disturbance had passed prices would collapse. In other cases a rational explanation of the rise and fall of prices based on supply and demand conditions is simply impossible. Such price fluctuations can only be attributed to psychological factors and the lack of bargaining power of producers.

Increased production without detrimental effect on prices is entirely feasible if the planned production increase is accompanied by a systematic expansion of the markets and an effective organization to supply the markets and exercise control on prices. A proper organizational framework that takes into account and plays a functional role in production, marketing and pricing can avoid many of the pitfalls that were encountered in the past when farmers increased production.

For these reasons the government of Manitoba has consistently supported and promoted the formation of producer marketing boards. There is reason to be confident that these producer organizations will make an increasingly important contribution to the prosperity of our farmers. For example, the Egg Producers' Marketing Board did succeed in raising and stabilizing the price of eggs. The Manitoba Hog Producers' Marketing Board did exert an upward influence on prices paid for hogs and opened up an important new market for Manitoba pork in Japan – a market with enormous potential. Without the producer organizations such market opportunities could not be exploited.

REDUCING COSTS OF FARM INPUTS

In 1971, Manitoba farmers had cash receipts of $380 million. During that year, farmers incurred $230 million in operating expenses and $70 million in depreciation on machinery and buildings for a total of $300 million, leaving net cash income at $80 million.

Policies aimed at improving prices for agriculture products will do little to improve the farm situation if farm costs continue to rise disproportionately with farm prices. Since farm expenses have been increasing at a more rapid rate than farm receipts, it is imperative to consider all possible methods of reducing farm costs. Five million dollars saved in costs of production contribute as much to farm net income as a five million dollar increase in gross cash receipts due to higher prices. Indeed, in view of the importance of agriculture to the Manitoba economy and in view of the fact that farmers themselves have little or no control over the prices of farm inputs, it may be necessary for the Manitoba government to exercise greater regulatory control over the costs of supplies wherever this is necessary, feasible and beneficial to farmers.

Efforts to reduce the costs of farm inputs, or at least to slow down their rate of increase, can be pursued along three different lines: streamlining the supply side, improving the bargaining position, and achieving economies of scale through group buying and reducing per unit costs by fuller utilization of capital resources through co-operatives.

STREAMLINING THE SUPPLY SIDE – CHEMICALS AND FERTILIZERS

In 1971, sales to farmers of chemicals and other crop disease control supplies were $10.4 million while fertilizer sales totalled more than $15 million. The magnitude of sales indicates that there may be room to reduce costs of chemicals and fertilizers to farmers by various means such as bulk purchasing by government and collective bargaining for supplies by farm groups.

In the distribution of farm chemicals, specifically insecticides, there is precedent for public intervention. Both Alberta and Saskatchewan stockpile insecticides for control of grasshoppers and army worms. These insecticides are sold to farmers at cost through the rural municipalities or through dealers who receive a fixed markup. Manitoba did not have a similar policy, but when there was a threat of infestation the Department of Agriculture issued grants to farmers, usually amounting to one-half the cost of insecticides used. This was only a stop-gap solution. The outbreak of the Bertha army worm infestation in 1971 and the grasshopper infestation in 1972 indicated both the need for government stockpiling and the high costs of the present distribution system. Accordingly the Minister of Agriculture in the spring of 1972 announced that the Department was assuming responsibility for the stockpiling and distribution of certain insecticides to farmers at cost. At present, an inquiry into the manufacture, distribution, and pricing of fertilizers is underway to determine whether improvements in the system can be brought about that would reduce the cost of fertilizers to farmers.

COLLECTIVE BARGAINING FOR SUPPLIES

Sporadic efforts at collective bargaining for farm supplies have been made in recent years. The National Farmers' Union in particular has organized local groups of farmers and assisted them in bargaining collectively for supplies such as fertilizers and fuel. The savings that result from this method are usually attributed to three factors: (a) quantities involved are substantial; hence there are savings in handling, transportation, and distribution; (b) purchases are strictly on a cash basis, eliminating the need for interest charges and bad debt risks; and (c) a tendering or modified tendering system forces the suppliers into more competitive behaviour.

Unfortunately, the organizational requirements are heavy and to date only a limited number of farmers have benefited by collective bargaining. For producers of commodities organized under marketing boards, an ideal position would be to have the boards bargain on behalf of their members for farm supplies. This would apply particularly to prepared feeds and concentrates but could be made to apply as well to seeds, equipment, medicinal preparations, and other farm inputs.

With proper management, producer boards could vastly improve the overall efficiency within their agricultural sector, keep the lid on costs, and improve the incomes of their producer-members. The government of Manitoba should support the initiatives of producer boards to achieve these ends. For example, the lending facilities of the Manitoba Agricultural Credit Corporation could be made available to producer groups for the purpose of financing bulk purchases of farm supplies.

PRODUCTION CO-OPERATIVES

Production co-operatives are one instrument that farmers may use to their economic and social benefit. Through co-operative ownership of machinery, a group of small farmers can realize economies of scale, lower investment costs per acre, and a lower cost per unit of product. Similarly, co-operatively owned feedlots and dairy barns can reduce the cost of production, reduce labour requirements and spread risk.

There are three types of machinery co-operatives which have been tried out in the past, particularly in Saskatchewan. One type utilized machinery on a co-operative basis without pooling of grain production. Another used the co-operative structure for ownership of machinery for which timeliness of use during the year was not critical. The third major type of co-operative arrangement pooled the total grain production of a group of farmers.

The first co-operative organization method runs into problems when particular equipment is needed by several farmers at the same time. Under the second type of co-operative, only machinery not needed for actual crop production is co-operatively owned. Thus major purchases of machinery are still borne by the individual farmer.

The third type of co-operative requires that grain production be pooled. Only in this way can problems with respect to priority of use be avoided. In this type of co-operative, the individual agrees that the co-operative will "operate" his land. The basic sharing of income and expenses is based on the percentage of the individual's cultivated acreage to the total cultivated acreage pooled under the co-operative agreement. In some co-operatives, a further adjustment is made based on the productivity of each member's land.

Benefits are both economic and non-economic. The major economic benefit, suggested by the Saskatchewan experience, is a potential substantial reduction in the costs of ownership and operation of farm machinery. A reduction of 30 to 40 percent in machinery investment per cultivated acre has occurred in some co-operatives.

The sharing of machinery results in fuller utilization of the capacity of most machines. The increased efficiency in machinery use is primarily due to the fact that labour is also pooled under the co-operative. In many cases, the problem of employing non-member labour is eliminated and costly machinery can be run for more hours per day because of "shift work". One co-operative, for example, runs three six-hour shifts daily during the seeding operations.

Whether or not the reduced labour demand means a non-economic advantage depends on what the farmer chooses to do with his time. Because of pooling arrangements, some members have more time to develop livestock operations on an individual basis. As well, if machinery investment per member is reduced, more capital is freed for other uses. A non-economic benefit which appears to be important to some members is that more time is available for regular vacations and participation in off-farm activities.

The formation of co-operative livestock enterprises may perhaps be of greater importance to the future of farming than machinery co-operatives. While economies of scale, better access to credit, and lower cost of production are important aspects in the formation of co-operative livestock enterprises, a better division of labour and the freeing of members of the farm family from never-ending chores are probably even more important.

In order to achieve the goals of expanding livestock production and keeping control of the industry in the hands of the operators, farmers should be provided with information on the potential for co-operative ventures. The need would appear to be particularly urgent in the dairy industry if Manitoba is to make full use of the additional subsidy eligibility quota allotted to the province under the market sharing agreement.

The role of government should be to provide information to interested groups on the economic advantages of co-operative arrangements, assistance in incorporation and management, and technical advice on the manner in which to maximize benefits through the pooling of machinery and other farm inputs. The facilities of the Manitoba Agricultural Credit Corporation may be used to the fullest extent by making credit available at reasonable terms to groups of farmers desiring to incorporate a co-operative enterprise.

PROGRAMS DESIGNED TO HELP LOW INCOME FARMS

Of the 35,000 farm operators in Manitoba in 1971, more than 16,000 had gross sales below $5,000. About 9,000 farmers had sales of $5,000 to $10,000 while the remaining 9,500 farmers sold over $10,000 worth of agricultural products. These are only gross receipts. Net farm income must take into account all farm costs, such as depreciation and labour.

If the level of income of the rural population is to be increased, particular programs will have to be designed to assist those farmers in the lower and medium income categories. Encompassed here would be the government's overall agriculture development policies such as expanded production, stablilized prices, reduction of the costs of farm supplies, and assistance in the development of agricultural co-operatives. These programs would lead to a more efficient use of manpower and resources which is essential in order to maintain an optimum number of viable farm units in this province.

Government programs to expand agricultural output and diversify Manitoba's agriculture must be aimed directly at the needs of the smaller and medium sized farmers. Technical assistance as well as loans and grants for expanding livestock and industrial milk production are already being made available to these farmers by the Department of Agriculture. In addition, the Farm Diversification Program was specifically designed to strengthen the economic base of the smaller farm units. Under this program farmers in the lower sales categories may obtain special loans of $10,000 and grants of $2,000 to improve the economic base of their farm. As well, such farmers are provided with intensive on-farm management assistance. The need for such programs is apparent from the farmers' response. Within weeks after announcing the beginning of the Farm Diversification Program a great many farmers had applied for participation.

The mix of programs must be designed in a manner which will assure that all of the smaller farmers whose operations have the potential of becoming viable will have access to one type of program or another. Programs must be tailored to need, and through the Farm Diversification, livestock expansion, and the credit programs discussed in the following section the needs of the smaller and medium sized farmers can be met.

CREDIT AND LAND POLICY

Surveying the host of public and private institutions that are active in agricultural credit, one might be led to conclude that the credit needs of farmers are well looked after. Considering that the federal government through the Farm Credit Corporation, the banks, credit unions, finance companies, farm machinery companies, feed companies, fertilizer, and fuel companies and their dealers are among the sources of credit to which a farmer can turn one might well ask whether there is a need for a provincial government credit agency.

In preparing *Guidelines for the Seventies* the role, if any, of a provincial credit agency has been carefully reviewed. The criteria used in the review were two-fold: duplication must be avoided and credit policy must be tied to the objectives of agricultural policy. Where existing credit institutions adequately meet the needs of farmers the Manitoba Agricultural Credit Corporation must not duplicate their activities. Where existing credit institutions do not provide the type of programs required to meet the objectives of agricultural policy the Manitoba Agricultural Credit Corporation must fill the gap.

On the basis of these considerations there is no justification for the Manitoba Agricultural Credit Corporation to continue to provide credit to finance the purchase of land. The availability of credit through the Farm Credit Corporation for the purchase of land must be considered adequate. Through the Farm Credit Corporation farmers can obtain credit up to $100,000 at an interest rate with which a provincial agency simply cannot compete. (At present the Farm Credit Corporation rate is seven percent, the Manitoba Agricultural Credit Corporation rate 8.5 percent.)

Although there is adequate credit available for those farmers who wish to purchase land and who meet the requirements set by the Farm Credit Corporation, there are some groups who are unable to solve their problems with land transfers through credit. For example, a farmer may wish to retire or discontinue but cannot find a buyer for his farm, or he may wish to transfer the farm to a descendant who does not have sufficient equity to be eligible for borrowing from the Farm Credit Corporation, or who is unwilling to assume a gigantic debt load. There are also young people who are not about to inherit a farm but who would wish to take up farming and do not have the required capital. There are people operating small farms who would like to expand but whose financial circumstances would not make it feasible to assume a large debt for the purpose of expanding their land base. Finally, there are farmers in severe financial difficulties, who are unable to meet the repayment schedules of their mortgages but who wish to carry on farming if their financial difficulties can be solved.

For these groups of people who cannot avail themselves of the opportunities provided through traditional credit instruments the Manitoba government through the Manitoba Agricultural Credit Corporation should provide new and different options to realize their aspirations. The Manitoba Agricultural Credit

Corporation should be authorized to purchase agricultural land and lease land to persons who are encountering serious difficulties in establishing themselves on economically viable farm units, while assisting retiring farmers to dispose of their land.

Leases on Manitoba Agricultural Credit Corporation land should be long term, *i.e.* leases should normally run until the operator reaches the age of 65. The lease might then be passed on to a direct descendant. The annual cash rental fees should be based on five percent of the market value of the leased land. The lessee should be required to pay the municipal property taxes and to observe good farming practices. Finally, it should not be possible to transfer a lease from one person to another without the written approval of the Manitoba Agricultural Credit Corporation.

By making this new option available, the government would be providing access to farming with security of land tenure to persons who would not have the opportunity to become established on economically viable farm units under the traditional credit programs, or who would experience severe difficulties in attempting to do so. The new land-lease option would be an important component of the mix of programs aimed at maintaining the optimum number of economically viable farms in Manitoba.

In addition to administering the land-lease-option, the Manitoba Agricultural Credit Corporation must continue to play a role in the Farm Diversification Program, the livestock and industrial milk expansion programs, loans to cooperative livestock enterprises and the beef stocker program as well as administering the more than $60 million in outstanding loans. The thrust of the new programs must remain to diversify Manitoba agriculture so that it will be less dependent on the boom and bust of world grain markets, to expand livestock production, and to greatly increase total output and value added on Manitoba farms and thereby raise and stabilize farm incomes, and to maintain the maximum number of economically viable farms in the province.

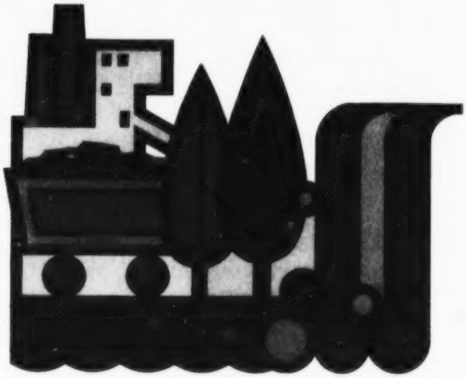
IMPLICATION OF NEW POLICIES

If the policies described in this chapter are pursued we may be confident that by 1980, significant progress will have been made in agricultural development. The farm incomes picture will have been improved and the gross disparities between net farm income and urban wages will have been reduced. Greater opportuniti will have been extended to the low income producer to increase the economic viability of his farm operation. Positive steps will have been taken to strengthen the family farm as the basis of the rural agricultural economy.

With the adoption of the programs and policies contained herein, Manitoba can expect to have a more prosperous farmi community, a more stable rural population and a countryside in which the mos is made of economic and social opportunities.

Chapter 5
Natural Resources

Natural Resources



The natural resources of Manitoba, including both renewable resources (such as forestry, fisheries, and wildlife) and non-renewable resources (minerals), are owned by the people of Manitoba. Government has the responsibility to ensure that Manitobans obtain the maximum possible benefits over time from these resources. Comprehensive planning of the use of our resources is required if this objective is to be achieved.

Careful management of renewable resources is necessary to ensure that they are not wasted or destroyed, that they continue to regenerate for the benefit of future Manitobans, and that, where there are competing uses of natural resources, the conflicts can be resolved in a way which will produce maximum benefits.

Mineral resources are not renewable, and therefore it is important that government and the mining industry plan for optimal development of these exhaustible resources, and that the benefits of mineral development be allocated equitably.

The people of Manitoba must receive their share of the economic returns from development of both their renewable and non-renewable resources. The surplus which accrues to the ownership of these resources must contribute to the achievement of the social and economic objectives of the province.

RENEWABLE RESOURCES

In the seventies, renewable resource policy must emphasize the economic effects of the use of these resources. This will require the resolution of certain important questions relating to the economic gains from their use such as how their present and potential benefits can be maximized and who should benefit from their development. These questions are obviously complex and inter-related. Recognizing that there are competing uses of resources as well as the need to evaluate policies and programs in terms of their implications for the environment as a whole, these questions must be examined in a broad context.

The fact that the resources in an area may be desired for different and competing uses must be taken into account if the benefits of one resource are not to be sacrificed to the development of another. For example, the indiscriminate harvesting of the forest resource may result in the disappearance of an area's wildlife resource. Unfortunately, existing resource legislation pertains primarily to the management, allocation and regulation of single resources. In the past, the dangers of this single use orientation may not have appeared so dangerous as resource management and allocation decisions on the use of the vast and largely untouched resources of the province could be made without resulting in major conflicts. Today, however, the era of single resource management and allocation must give way to multiple resource planning and management because of the impact of increasing and more complex human demands on finite resources.

This section on renewable resource policy presents strategies for the protection, management and development of the renewable resources of all of the province. Particular attention, however, has been devoted to renewable resources in the North. There are two main reasons for this approach: first, a sense of urgency because of the new resource development there in contrast to the more developed nature of resource uses in the South, and second, the fact that the North can provide a new target for the application of innovative resource policy.

Emphasis on the economics of resource use, combined with the concern to develop a multiple use strategy, is consistent with the basic principles of *Guidelines:*

(a) Maximizing the general well-being of Manitobans:

The general well-being of Manitobans would be served by planning for the use of the province's renewable resources in ways which maximize the full range of benefits available from the resources. The concept of multiple resource use would allow consideration to be given to the present and future value of resources for both economic purposes and meeting aesthetic and recreational needs. In addition to setting the planning frame, the province can secure a proper and adequate return from the use of resources by setting fees and rates for Crown resources at levels that realistically reflect the value of the resources. This would serve to ensure that resources are not used wastefully, and that the returns that ought to accrue to the province for its resources will be maximized. As well, renewable resource policies and programs would be developed within the context of this government's concern the the quality of our environment.

(b) Greater equality of the human condition:

A very large proportion of Manitoba's renewable resources are located in the North of the province. At the same time, many northern communities are suffering from an inadequate or undeveloped economic base. Greater equality of the human condition would be furthered by resource policies designed to create employment opportunities in such communities based on renewable resources and in related activities such as tourism. More generally, the proper management of resources and a fair distribution of the benefits can create employment opportunities that provide stable and adequate incomes.

(c) The stay option:

The contribution of resource policies to the *stay option* can be most pronounced in the remote communities of the North. The emphasis would be on improving the situation of those who have been directly dependent upon natural resources for their livelihood. Through assistance in establishing co-operative organizations and marketing mechanisms, and through the careful overall planning for resource use, the full potential of renewable resources can be developed to provide a strengthened base for those who wish to remain in their traditional community. Activities that are directly related to resources, such as tourism and construction for hydro projects, would provide additional opportunities for northern residents to earn a living in the North.

(d) Widening participation:

Resource policies should be designed to enable those who live in close proximity to resources to benefit from their development and use. The mechanisms that can be encouraged to effect this would be organizations such as co-operatives and local development corporations. These structures would widen participation both by their internal management style which allows all members to participate in decisions and, more generally, by creating a viable vehicle for the development of resources by local groups, thus giving them the opportunity to participate in the industry, rather than having the resources extracted by non-local interests. For all Manitobans, the emphasis which can be given to non-consumptive uses of resources and the intent to provide general public access to areas in high demand for recreational purposes should widen the opportunities for participation in the enjoyment of the province's resources.

RESOURCES MANAGEMENT

(a) Non-Consumptive Use

There are a number of uniquely attractive natural areas in the province which offer long-term potential for uses, such as recreation or preservation of wildlife, which do not deplete or consume the resources. Non-consumptive uses of resources will increase in importance over the next decade. In southern Manitoba, areas which should be reserved for such uses include Oak-Plum Lakes, Delta Marsh, the Bald Head Hills south of Carberry, the Duck and Porcupine Mountains and other provincial forests, as well as key deer wintering grounds often located in the vicinity of such areas as the Woodlands Community Pasture. In northern Manitoba, there are a number of similarly attractive and critical areas both in the forest zone and in the barren lands.

In these areas, consumptive uses, such as forest extraction, removal of hay, and hunting wildlife will gradually decline in favour of non-consumptive uses such as interpretation tours of the natural amenities and ecological systems, family picnics and camping. Non-consumptive uses rarely conflict with each other, and, indeed, in some cases one can reinforce the benefits of another. For example, the preservation of wildlife in an area can enhance its recreational potential. With proper planning and management, multiple use of an area is desirable in order to maximize the benefits its resources may offer.

In some cases, consumptive uses may be compatible with non-consumptive uses. Multiple use in these cases is suitable and often desirable particularly if local employment opportunities are thereby made available. Wildlife management areas, for example, should be used for not only the production and harvesting of wildlife, but also for non-consumptive recreational purposes such as ecological interpretation and camping. The same principles should apply in provincial forest reserves as well as in the unsettled forested areas of Crown Land.

With this concept of multiple-use and non-consumptive use in mind, the possibility of locating remote cottages in agricultural areas, particularly grazing areas, and in forest and wildlife areas is presently being explored. As these remote cottages are not designed for permanent use, they would not be provided with utility services and would be placed under very clear environmental and resource restrictions. Similarly, interpretation facilities can be developed in key areas which could be used by schools and other interested groups.

(b) Specific Use Management Principles

The above discussion of non-consumptive uses of resources was not intended to displace the importance of traditional and valuable consumptive uses of resources. Rather, it was intended to highlight the increasing significance of this kind of resource management. As well, it is important to recognize that non-consumptive uses of resources can provide significant income and employment opportunities – which are sometimes greater than those provided by traditional consumptive uses.

Crown Land Management: Increased effort must be made to co-ordinate all uses (public or private) of Crown Land into a comprehensive and dynamic resources management system which recognizes the multiple-use concept and a longer time horizon than has traditionally been the case. The Crown Lands Act, under which responsibility for the allocation and management of Crown Lands is placed with the Department of Mines, Resources and Environmental Management, provides the necessary framework. However, given that certain Crown Lands offer special potential for a specific use, it is essential that the management of such lands be allocated to the government agency which is most capable of maximizing the benefits of the specific use. At the same time, since it is also essential to ensure that management of such land primarily for a single purpose does not thereby exclude the potential of other, compatible uses, overall responsibility for the land should remain with the one agency. With this in mind, the government is presently transferring the administration of these Crown Lands to the appropriate government departments, while the Department of Mines, Resources and Environmental Management remains responsible for those aspects of land management outside the purview of the particular department.

For example, certain Crown Lands are known to have a high capability for agricultural production. The administration of those areas which can be clearly designated as agricultural areas has been allocated to the Department of Agriculture for management within the context of any broader multiple-use resource conditions as may be required. This means that the Department of Agriculture, which is most closely associated with the farming community and most aware of its needs, will be the agency which determines rates of leases, lease periods, and the allocation to individuals within the context of agricultural policy and also of the basic principles discussed here. The other use conditions, however, will be established by the Department of Mines, Resources and Environmental Management in order that the use of such Crown resources is not restricted to a single purpose, such as agriculture, when other purposes (such as non-consumptive and consumptive uses of wildlife) are not in direc conflict with the prime use.

Similarly, the administration of those Crown Lands which have very high and clear intensive recreation use, such as cottage lot subdivision, campgrounds, or waysides, will be allocated to the Department of Tourism, Recreation and Cultura Affairs for management and administration within the guidelines given it by the overall resources agency (Mines, Resourc and Environmental Management).

Other Crown owned resource areas, however, which have extensive recreation potential as well as many other possible uses which can be managed in such a way as to allow for all of the uses to take place in a compatible environment, will be held and managed directly by the Department of Mines, Resources and Environmental Management. Examples of these types of areas include areas of Crown Land where forest harvesting may be possible as well as remote camping and cottaging experiences, including hiking, snowshoeing, skiing, canoeing, hunting and fishing. These areas should be managed in such a way as to recognize that in certain cases some uses may have a priority over others but that this priority should not exclude all other uses. For example, in key forest areas, the priority may be commercial forest production. However, this should not mean that canoeing, camping, hunting, remote cottaging, hunting or mineral extraction could not take place, but simply that recognition should be given to forestry as the key use. Even within forest areas where particularly attractive streams exist, the forest management plan should give recognition to this and restrict cutting in close proximity to these water corridors or other attractive areas.

In recognition of the rapid increase in demand for variety in resource use, two basic principles will be applied to Crown Lands. First, no Crown Land will be sold. whether it is suited for agricultural use or not. Secondly, an active policy of acquisition of desired land areas will be pursued in order to facilitate future public access to key resource areas.

The often discussed question of non-national ownership of land is in reality an indication of the fact that critical multiple use resource areas (and often these are the ones that non-nationals are interested in) are usually tied up under private ownership and thereby not available for general public use. Therefore, the question is not exclusively one of non-national ownership of land, but rather a question of privately held land preventing public access to the areas of public interest. These critical areas may contain access to water bodies, or access to areas with some form of recreation or non-consumptive potential. When these lands are in close proximity to major urban areas, or in proximity to areas where usual recreation facilities are limited, this problem is particularly acute. Southwestern Manitoba is an example of this situation as natural recreation amenities are scarce when compared with those that exist in other parts of the province.

In addition, there are some lands presently in agricultural use more because of the consequences of the Homestead Act than because the land is particularly well suited to agriculture. In other cases, the land may have been poorly managed over many years and erosion has become a serious problem. Recognizing this, the Province has embarked on an acquisition program to bring these lands back into the public domain and to convert them to more appropriate uses.

Land and Water Management: The close inter-relationship of different resources as a single ecological system is becoming clearer and of critical concern. For example, within a watershed there is a direct link between downstream drainage problems and upstream land management problems such as soil erosion. The Whitemud Watershed Commission has been established in recognition of this particular problem and stands as an example of an integrated approach to land and water management that will be extended. Within this watershed context, it is possible to take a much broader overview of all resources and the linkages between them than has traditionally been the case.

In line with this approach, watershed legislation will be reviewed together with Resource Conservation District legislation in order to combine the main positive attributes of both in such a way that legislation can be produced that will become a major tool for the land and water management needs of southern Manitoba. This will allow for direct provincial involvement in major projects along with provision for assistance to local governments and individuals such as farmers who use lands and waterways. The assistance could be used, for example, to compensate a farmer who might incur costs or forego income by leaving a part of his land in a state appropriate for a duck habitat but not suitable for farming. Under existing separate legislation, there is no means for allowing such competing uses for resources, in which the benefits are gained by different individuals or groups, to be easily resolved in a manner that considers the best use for the community as a whole. The combination of locally formed resource conservation districts and watershed legislation will provide for broad resources management planning, along with full local participation.

Fisheries Management: The commercial fishery in Manitoba represents part-time income for up to 3,500 persons. However, commercial fishing is not usually able to provide the average family with an adequate annual income. In most areas where commercial fishing is common, however, this is only one of several opportunities that are available to local people for earning a living. Along Lake Manitoba, for example, fishing is complementary to farming. To a certain extent this also applies in certain parts along Lake Winnipegosis as well as the southern portion of Lake Winnipeg.

In northern Manitoba, commercial fishing can complement trapping, forestry work, and the recreation industry. The recreation industry can be managed to combine commercial and sport fishing benefits to local people and communities. During the prime recreation season employment can be generated through recreation use of the fishery and in the off-tourist season, employment can be generated by commercial fishing. The application of this multiple-use concept in the context of local employment is a practical one which can be implemented with involvement of the communities directly affected. Success, of course, depends on the availability of the fish itself.

In the southern part of the province, it is now necessary to zone some lakes. Parts of these lakes would be regarded as resources available to specified communities, while in other situations, it may be necessary to zone lakes for commercial fishing, sport fishing or combinations of either. This will depend on biological factors as well as the utility derived from the fishery resource by the people resident near that resource. Regulation of the fisheries resource, however, is a federal responsibility. Thus it will be necessary to work with the federal authorities in order to achieve the social and economic advantages of the fishery in the context of multiple use with local participatory action.

Forest Management: A review of forest resource allocation policies should be undertaken to determine ways of providing greater options and benefits for residents in the neighbourhood of these resources. It must be recognized that local resources provide the most realistic opportunity for residents to become gainfully employed. Consequently, access to these resources is critical for without access to nearby resources it is obvious that realistic employment opportunities are denied.

The forest industry can provide a stable employment base. Small operations, however, encounter marketing problems, high overhead and consequently fluctuating viability. A Crown Corporation could act as an "umbrella" to provide the necessary management, marketing and purchasing capacity which small operations often do not have. Within this context, present operations such as Moose Lake Loggers, Lake Winnipeg Channel Loggers and any other small operations could become part of the larger corporation, if they so desired. In addition, new areas could be opened up for forestry extraction providing more jobs near existing communities (for example, around Lake Winnipeg and in the Wabowden-Thicket Portage area).

Wild Rice: Wild rice harvesting permits have been issued to applicants in Manitoba for many years. Harvesting procedures on natural wild rice lakes have been changed recently to make the resource more available to local community groups and to traditional pickers. Applications from co-operatives or other similar groups of harvesters have been encouraged and accepted.

Wild Fur: Further development of the secondary phase of the fur industry is required. To this end, tanning will be examined to determine the possibilities of increased benefits to trappers. New uses for lower grades of fur will be researched. Any value added to raw fur as a result of processing or secondary use will benefit Manitoba. In any event, this program will be concerned primarily with increasing benefits directly to primary producers.

In order to achieve this objective, the wild fur program must enable trappers to gain direct access (as opposed to through intermediaries) to the *true* market. This will require organization and financing at the local level, including the organization of collection depots readily accessible to trappers of the area and hopefully ultimately operated by trappers themselves.

Improving the resource base and better organization of fur harvesting will have limited benefits for trappers if the fur marketing system is not improved. The fur trade has recognized for nearly three centuries that successful fur harvesting and marketing must be a combined operation. A trappers' association may be the logical vehicle for implementing and maintaining this control on behalf of its members. However, in the present state of organization, a Manitoba association is unlikely to be able to provide the required service. In view of this, a fur marketing service similar to that operated in Saskatchewan, could be established with the view to transferring the operation to the Manitoba Trappers' Association as soon as it is able to assume the responsibility.

RESOURCE MANAGEMENT – NORTHERN MANITOBA

The increasing demand for non-consumptive use of resources is having an impact upon northern Manitoba. The creation of new campgrounds, provincial parks and recreation areas and more lodges are ample evidence of this new public demand. It is generated by residents living within the North and as well by people in other areas who wish to share in the experiences offered by northern Manitoba.

Much of the North's resources have already been committed by past governments for developments such as: water resources power reserves, provincial parks, mining claims and operations, and forestry areas under contract. As well, some land is under the jurisdiction of the federal government for purposes such as national parks. Since a considerable portion of the natural resources in the North are already allocated, it is necessary that policies for resource development provide a basis both for the development of the non-allocated resources as well as a process for the reconsideration of past allocations. Further consideration must be given to a resources allocation system which would provide the remote communities with an opportunity to improve their economic viability while participating in resource development decisions.

The protection of the fragile northern Manitoba environment is of paramount importance in the development of the North. The method of resource development in both the public (roads, transmission lines, etc.) and private (mines, pulp mills, resorts, etc.) sectors must be evaluated in terms of their effect on the environment.

A level of pollution exists within certain river systems while others remain in their natural state. Thus, as long as a pollution threat prevails from industrial and residential waste, it may be necessary to tolerate some contaminated water systems while preserving the other water courses in their natural form.

In northern Manitoba, resource use conflict is not critical at this point in time but recent debates over resource development, such as that over the diversion of the Churchill River, indicate that consideration must be given to all possible uses of an area prior to resource allocations being fixed.

(a) Zoning of Northern Manitoba for Planning and Development

Analysis of the North in terms of potential resource development, existing infrastructure and human resources, has been facilitated by the designation of five northern Manitoba planning zones. (see Map 5-1).

Coastal Zone: This area borders on Hudson Bay and this has access to the resources of the bay. The community of Churchill provides a high level of services to the 3,500 people in the area. The area is accessible by air, rail and water. The area represents an extremely interesting and accessible ecological system. Its whales and polar bears – it contains an important polar bear denning area, its hunting and fishing, and its other unique natural features must be preserved for the enjoyment and interest of present and future generations. This zone must be managed to avoid permanent damage and this can be done without preventing the development of opportunities for the benefit of Manitoba and, most particularly, of northern residents. Therefore, this zone is designated as the "Hudson Bay Environmental Management Area" and regulations are being drafted to guarantee the long-term maintenance of these unique ecosystems.

Northern Zone: Very little is known about the mineral potential of this area while the climate limits its forest potential. There is no permanent population in the area and access is restricted to float and ski aircraft or difficult water routes. There are no immediate plans for hydro development of the water resources while the fishing is mainly of a sporadic nature by people living outside the zone. Unique features are the natural wintering grounds for barren lands caribou, unusual scenes of esker/water/forest/muskeg combinations and historical sites.

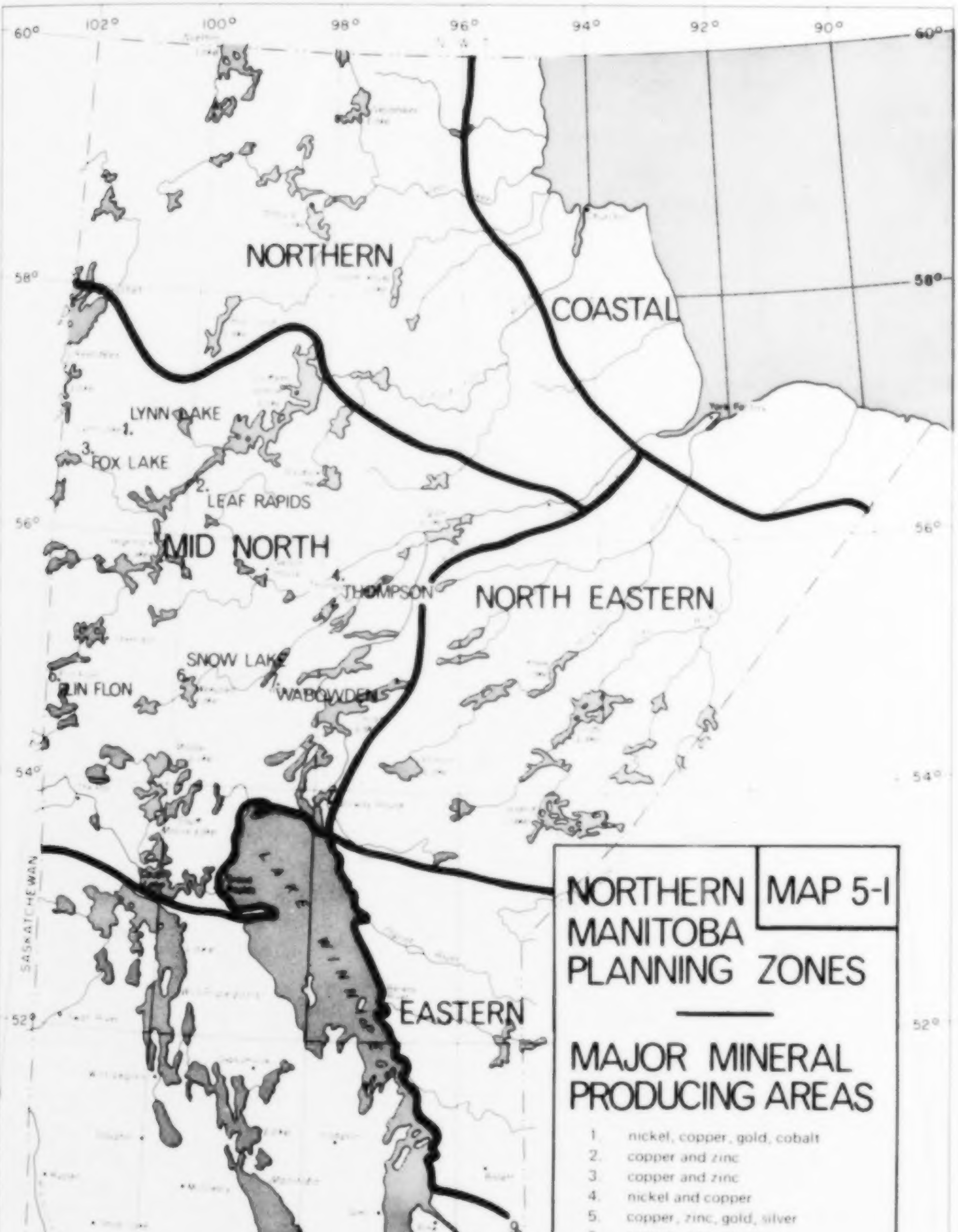
There will be a deferral of major development pending analysis of the ecological impact of development. Unique parts or systems in this zone will be delineated and designated for non-consumptive uses as well as carefully regulated fishing, hunting and trapping.

Mid-North Zone: This zone is characterized by a relatively high level of infrastructure and relatively large communities. The population in the zone totals over 60,000 of which 72 percent is located in the four large centres. This zone contains the largest percentage of the people in the North and the highest level of skills. The natural resources of water, forests, and mining have been partially committed for development. Some river systems in this area have been modified or polluted to varying degrees. Fishing, agriculture and the recreation industry are developing.

Because of the relatively high level of infrastructure, known resource potential, existing resource commitments and population concentration, the Mid-North Zone will be regarded as the preferred area for future major developments in the Seventies and the "urban communication" corridors and centres will be delineated to achieve maximum utilization of costly infrastructure.

Eastern Zone: This area contains relatively few people (3,000) and a low level of infrastructure. A small resource base of forestry and fishing exists and a recreation potential can be realized. The water system is relatively pollution free (except for some natural mercury contamination in a few lakes) and has limited power potential. Except for forestry in the southern portion, the resources are mainly uncommitted. Exploration into the mineral potential of the area is underway and the extensive recreation potential has been recognized. There will be early application in this zone of the forestry and recreation strategies outlined previously in this chapter.

North-Eastern Zone: This area contains relatively few people and a very low level of infrastructure exists. Fishing and trapping has provided the economic base


60°
102°
100°
98°
96°
94°
92°
90°
60°
NORTHERN
58°
COASTAL
58°
LYNN LAKE
1.
3.
FOX LAKE
2.
LEAF RAPIDS
56°
MID NORTH
56°
4.
THOMPSON
NORTH EASTERN
SNOW LAKE
5.
6.
FLIN FLON
WABOWDEN
54°
54°
SASKATCHEWAN
52°
EASTERN
52°
50°
50°
8.
VIRDEN
WINNIPEG
100°
98°
U S A
96°
94°
92°
Surveys Br. M.B.N.R.

NORTHERN MANITOBA PLANNING ZONES

MAP 5-1

MAJOR MINERAL PRODUCING AREAS

1. nickel, copper, gold, cobalt
2. copper and zinc
3. copper and zinc
4. nickel and copper
5. copper, zinc, gold, silver
6. copper, zinc, silver
7. nickel, and copper
8. oil
9. copper and nickel
10. tantalum oxide, lithium, beryllium, cesium

Source: Department of Mines, Resources, and Environmental Management.

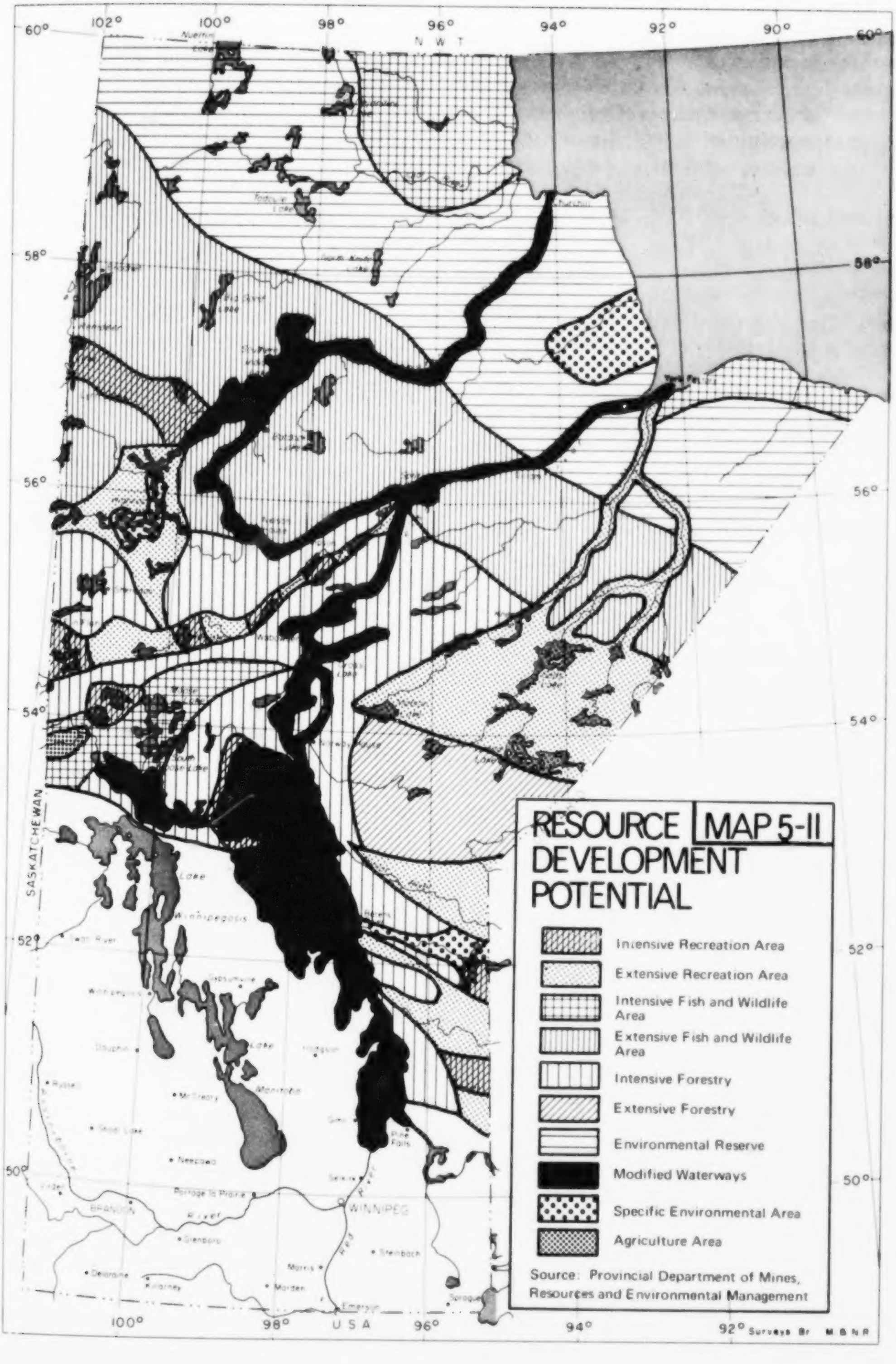
for the people in the area. The recreation potential of the area is considerable. The forestry and mineral resources have yet to be developed. The water system is presently unmodified and exhibits relatively little potential for hydro electric development. The majority of the resources in this area are uncommitted. Of greatest significance, however, is the fact that this zone contains the only major watershed (Hayes and God's River) which is essentially self-contained in Manitoba (a limited portion extends into northeastern Ontario). Therefore, this zone will be designated as an Environmental Management Area and will be managed as an ecological alternative to the Mid-North Zone where modifications to the major water systems are necessary. Within this context, emphasis will be given to improved commercial and sport fisheries, local forestry operations and further opportunities for northern residents to expand their activities into interpretation of and research into the variable natural resource habitat and historic environment.

(b) Resource Development Potential

On the basis of existing data on resources potential, the North has been further divided into priority resource use areas for the purpose of planning and management. The priority uses are those which appear to have the highest potential in the area. This designation of areas on the basis of priority resource uses is consistent with the multiple use concept because it allows for further uses if they are feasible and compatible with the prime use. For example, in an area which exhibits highest potential for recreation use, recreation will be designated as the priority use. This does not mean that timber cutting cannot also take place if it does not detract from the area's recreation value. The designation of these areas is not static: with changing demands, social concerns, new data and other factors, the priority use designations will undoubtedly be refined and updated. As well, the resource potential areas must be considere in the context of the five Planning and Development Zones in order to adequately reflect real potential as determined by access, population concentration and existing infrastructure.

Map 5-2 illustrates these priority use areas described as follows:

- *intensive recreation areas:* high potential for recreation uses, such as cam grounds, cottages and boating, with easy, or potentially easy access.
- *extensive recreation areas:* high potential for extensive uses such as lodge fishing and canoeing, with more difficult or expensive access.
- *intensive fish and wildlife areas:* high potential for sport fishing and hunting but limited potential for other major resource uses.
- *extensive fish and wildlife areas:* pote tial for quality sport fishing and hu ing as well as commercial fishing an trapping. As insufficient informati exists on other resources in the are research and analysis is required before the development of any other resources.
- *intensive forestry areas:* contain know inventories and/or potential productivity for commercial forestry operations.
- *extensive forestry areas:* less forestry potential and more expensive acces These areas are largely low-lying bo and other resource uses are limited.
- *environmental reserves:* contain extremely sensitive ecosystems largely due to climate and about which relatively little is known at this time. More research and analysis is required before any further development is allowed (including extensions to existing developments such as lodges).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Swan River
Winnipegosis
Dauphin
Lake
Manitoba
Russell
McCreary
Shoal Lake
Neepawa
Gimli
Pine Falls
Selkirk
Virden
Portage la Prairie
BRANDON
River
WINNIPEG
Red River
Glenboro
Steinbach
Deloraine
Killarney
Morris
Morden
Emerson
Sprague
U S A
Surveys Br M B N R
▨ Intensive Recreation Area
▨ Extensive Recreation Area
▨ Intensive Fish and Wildlife Area
▨ Extensive Fish and Wildlife Area
▨ Intensive Forestry
▨ Extensive Forestry
▨ Environmental Reserve
■ Modified Waterways
▨ Specific Environmental Area
▨ Agriculture Area

RESOURCE DEVELOPMENT POTENTIAL

MAP 5-II

Source: Provincial Department of Mines, Resources and Environmental Management

- *modified waterways:* waterways managed or to be managed primarily for the production of hydro-electric power.

- *specific environmental areas:* contain extremely valuable and unique environmental attributes. Uses other than carefully planned recreation could destroy these qualities permanently. Some parts may be designated as ecological reserves, for example, the polar bear denning area.

- *agricultural areas:* basically limited to the Pasquia area near The Pas. Agricultural activity here is marginal at best (except for limited livestock enterprises) due to extremely high drainage costs.

Of course, the priority use areas described apply only to the renewable resources of the North. Contained within the area are also present and potential population centres, transportation and communication corridors and mining developments. Map 5-1 shows the location of present mining operations. However, because mineral attraction tends to be site-specific, there is no necessary conflict between the existence of a mining development and the designation of an area as a priority use area for renewable resource development. Mining could take place in any of the renewable resource areas provided it does not adversely affect the prime long term use. However, in areas where environmental concerns are critical and where there is a distinct possibility of permanent environmental damage due to mining operations, i.e. in the environmental reserves and extensive fish and wildlife areas, all mineral exploration and development proposals must be thoroughly evaluated in terms of their ecological impact prior to the issue of permits. Communication corridors, as well, must be carefully planned and developed so that they do not detract unnecessarily from the benefits of the renewable resources.

(c) Specific Resource Uses and Developments in Northern Manitob

In the earlier sections dealing with specif resources such as fur, wild rice and sport and commercial fisheries, policies and pr grams have been outlined which will have major impact in the North. A forest ry Crown corporation designed to create employment opportunities for northern residents has also been discussed.

In addition to these, non-consumptive resource use will also be a development thrust, with emphasis on tourism. This tourist potential is now being tapped primarily by outside entrepreneurs who have management and marketing skills which as yet haven't been developed by local people. These outsiders, also have better access to capital. Consequently, the benefits from development have mainly accrued to outside entrepreneurs with local people benefiting only from employment as casual labourers.

The Northland Inn concept is proposed to generate development of the tourist potential in northern Manitoba through building a number of central lodges for recreation and leisure activities in conjunction with camps in outlying areas. The central lodges would be located in such major locations such as Churchill, Thompson, Gillam and Leaf Rapids. A year-round recreational opportunity which is not possible in a remote lodge situation would be created. At the same time the community would benefit from this facility as a result of increased cash flow from construction, tourist spending, and additional recreational possibilities.

The building and maintenance of a recrea tional facility would provide employmen for local residents in areas which are currently suffering from high levels of under employment and unemployment. The Northern Manpower Corps could organiz training of northerners in conjunction with this development.

The remote lodges or outcamps would provide a variety of remote fishing, hunting, or relatively isolated recreation activity which would appeal to a number of tourists. Travel from the central lodge to the outcamps would be provided by light aircraft to airstrips or lakes. In the case of Churchill, locations for outcamps in the Barren Lands, the polar bear denning areas and York Factory appear feasible as part of a "tundra tours" package.

Local involvement possibilities would include guiding and management of the tourist centres by northerners. People in the service sector might learn or begin their trade in a more remote lodge setting, move to a central lodge in a place like Thompson and gain expertise which would allow them to enter into the mainstream of the employment force.

SUMMARY

Policy for renewable resources, as framed by the principles of *Guidelines,* is designed to plan and manage the use of Manitoba's resources for the greatest benefit of Manitobans. In this section the concept of non-consumptive use of resources has been introduced and the traditional uses of resources have been examined. A host of policies and instruments have been suggested, from restrictions on the sale of Crown Land to the encouragement of co-operatives and the use of resource crown corporations, to ensure that the benefits of resource development accrue to residents of Manitoba.

In fisheries, the possibility of zoning lakes for commercial and sport fishing has been discussed. In forest management, an umbrella crown forestry corporation has been suggested, related to smaller operations such as Moose Lake Loggers and Lake Winnipeg Channel Loggers. For wild rice, procedures have already been changed to make the resource more available to local groups and traditional pickers and applications have been encouraged from co-operatives. For wild fur, the improvement of the marketing system has been discussed.

For northern Manitoba, this section has looked beyond specific resources to more detailed overall plans for the zoning of northern Manitoba for planning and development and has examined priority uses for the different areas in the North.

In considering the various policies proposed here, the role of government can be an active, developmental one, not one limited to a passive, regulatory function. An array of development instruments can be used to complement and greatly extend the private development which would continue to take place. The public would also exercise its control to ensure that full consideration is given to the effects on the environment of all developments.

NON-RENEWABLE RESOURCES

Metallic minerals and industrial minerals (sand, gravel, stone) are non-renewable resources in that, once extracted, the deposits will not regenerate. Even with the most conscious efforts to recycle scrap, Manitoba's mineral production each year is lost to the province, as almost all mineral production is exported from the province.

In the Seventies, non-renewable resource policy should work to the achievement of the four *Guidelines* principles:

(a) Maximizing the general well-being of Manitobans:

In the Seventies, non-renewable resource policy should be directed to ensure that the benefits to be gained from mineral development will accrue to the people of Manitoba, the rightful owners of this resource. The long-term interests of Manitobans should also be assured by planned mineral development which will give due consideration to all the social costs arising from mineral development.

(b) Greater equality of the human condition:

The benefits to be gained from mining must be more equitably distributed among all residents of the province. To fulfill this objective, the government should seek to obtain a fair rate of return from the exploitation of our mineral resources, and to redistribute these benefits to all Manitobans through social and economic policies and programs.

(c) The stay option:

Because our mineral resources are found almost entirely in the North, non-renewable resource policy can contribute to the *stay option* in the North by ensuring local employment opportunities. As well, future mining developments can build on existing infrastructures whenever possible and efforts can be made to diversify the economic base of mining towns in order to promote their long-term viability.

(d) Widening participation:

In one sense, greater participation can be achieved by policies designed to ensure that all Manitobans participate in the benefits to be gained from mineral resource development. These benefits can accrue directly in the form of profits from the development of discoveries of the crown owned mineral exploration company. In another sense, greater participation can be achieved by ensuring employment opportunities for those people residing in the vicinity of mining developments.

THE ORGANIZATION OF THE INDUSTRY

Total employment in mining is approximately 8,000* out of a total northern labour force estimated at 45,000, and a total population in northern Manitoba of about 77,000. Mining development in northern Manitoba has been associated with large capital investment: the type of technology that has been used is one that can be described as being highly capital intensive, that is, there is a very high investment per job in relation to other types of industry. Moreover, employment in the mining industry in northern Manitoba is characterized by a high rate of turnover. Many of the jobs, as much as 25 percent of the total, have been filled by people who were not Manitobans.

Three major corporations account for 94-96 percent of total Manitoba primary metal production. Each of the three is established in northern Manitoba, providing virtually the sole industry in each town which owes its existence to a mine. Map 5-1 shows the location of mining developments. The production from these corporations constitutes an overwhelming proportion of the value of total output of goods and services in northern Manitoba. All three companies are non-resident controlled.

There is also a publicly-owned exploration company, Manitoba Mineral Resources Limited which was established in 1971 and has been granted an annual budget of $500,000 to undertake exploration for minerals throughout Manitoba. As well as carrying out exploration on its own, the company has also entered into one major agreement for a joint exploration venture with private interests, and is negotiating with other companies for joint exploration programs. Exploration activities have not yet reached the stage where development of a mine is under serious consideration.

The amount of secondary manufacturing within Manitoba that utilizes raw material from Manitoba's mines is almost negligible. Only nickel from INCO and zinc from Hudson's Bay Mining and Smelting Co. are refined in Manitoba. Sherritt-Gordon has no refining operations within Manitoba.

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*Statistics Canada, ***Estimate of Employees by Province and Industry*** (72-008)

THE BENEFITS OF MINING DEVELOPMENT

While, under the B.N.A. Act, natural resources have always been under the jurisdiction of the provinces, it was not until 1930 that Manitoba actually became the owner of its resources. "At Confederation, the Provinces transferred to the Federal Government most of their other sources of revenue . . . but they retained for themselves the use and control of the Crown Lands, minerals and royalties as a source of income."* However, Manitoba, which did not become a province until 1870, had to wait for the right to collect revenues from natural resources until 1930, when ownership of its natural resources was transferred from the federal government to the Province. The intention of the transfer was that revenue from natural resources would constitute the "cornerstone of provincial finance". However, over the past forty years of ownership of our mineral resources, provincial policies have returned to the people of Manitoba only a small portion of the wealth generated by the exploitation of these exhaustible resources.

The value of mineral production in Manitoba has remained steady over the last three years at about $300 million (see Table 5-1). Of this total value, nickel production accounted for approximately 70 percent, zinc and copper 25 percent, while the residual is made up of cadmium, gold, silver, cobalt, tantalum, and others.

TABLE 5-1

TOTAL VALUE OF METAL OUTPUT
(millions of dollars)

Fiscal Year	1968	1969	1970	1971	1972 (estimate)
Value	156	224	295	306	300

Source: Department of Mines, Resources and Environmental Management.

As the *Report on Natural Resources Policy in Manitoba* by Eric Kierans has shown, the total value of mineral production in Manitoba by the three major mining companies in the calendar year 1970 was $296 million. The total costs of producing this output was $209.6 million of which only 15 percent was incurred for the payment of wages and salaries, most of which was spent in Manitoba The difference between the total value of production and the costs of producing the output is book-profit and this amounted to over $86 million in 1970. Part of this $86 million book profit is a return on the capital invested by the mining companies, but about $60 million is a surplus over and above the normal return to capital which can be attributed directly to the intrinsic value of the scarce, non-renewable resources owned by the people of Manitoba.

Only a small portion, ($6.9 million) of the $86 million in book profits was re-

TABLE 5-2

STATISTICS, 3 MAJOR METAL MINING FIRMS, MANITOBA OPERATIONS ONLY, ESTIMATED
(millions of dollars)

	1968	1969	1970
Metal Output – Value	156.4	224.1	295.6
Book-Profit before Taxes	50.0	56.0	86.0
Taxable Income	16.0	10.6	22.6
Manitoba Mining Royalty Tax	2.4	3.1	4.2
Provincial Income Tax	1.9	1.3	2.7
Total Provincial Taxes	4.3	4.4	6.9
Provincial Taxes/Value of Output	2.7 percent	1.9 percent	2.3 percent
Provincial Taxes/Book Profit	8.6 percent	7.9 percent	8.0 percent

Source: ***Report on Natural Resources Policy in Manitoba***, 1973, p.32.

****Report of the Royal Commission in the Transfer of the Natural Resources of Manitoba***, Ottawa, 1929, p.11.

turned to the Province, the owner of the minerals which generate these profits. The amount of taxes collected by the federal government through corporation income tax was of approximately the same magnitude.

The rights to mine have been leased to these three corporations by long-term agreements signed fifteen to thirty years ago. These corporations should be entitled to earn normal profits and receive the same tax treatment as other corporations in other industries.

EFFECTS OF FEDERAL TAXATION POLICIES

One of the prime causes for the small proportion of book-profits being paid in the form of income tax is federal tax policy. By permitting allowances for depletion, three-year mining tax exemption periods, the charging of capital costs in excess of real depreciation, the deduction against current profits of investment expenditures on exploration for future ore bodies and the immediate write-off of development costs, the federal government reduced the income tax base of mining companies from a book-profit of $86 million to only $22.6 million. Hence, mining companies paid taxes on about one-quarter of their book-profits. By permitting mining companies to deduct the interest on money borrowed to buy the shares of other corporations, and by treating the cost of purchasing mineral rights from other companies as exploration and development costs which are fully deductible from taxable income, the federal government is encouraging large corporations to buy out their

TABLE 5-3

COMPARISON OF BOOK PROFIT AND TAXABLE INCOME
BY MAJOR INDUSTRY GROUP 1969 and 1970
(millions of dollars)

	Book Profit Before Taxes		Taxable Income		Taxable Income Book Profit Percent	
	1969	1970	1969	1970	1969	1970
Agriculture, Forestry and Fishing	51.4	50.0	23.3	19.6	45.3	39.2
Mining:						
Metal Mining	610.9	820.0	111.0	192.8	18.2	23.5
Mineral Fuels	311.3	277.2	3.2	8.6	1.0	3.1
Other Mining	105.5	99.8	3.6	11.3	3.4	11.3
Total Mining	1,027.7	1,197.0	117.8	212.7	11.5	17.8
Manufacturing	3,581.2	2,850.5	2,538.4	1,833.8	70.9	64.3
Construction	293.7	226.3	201.1	130.9	68.5	57.8
Transportation, Communication and Other Utilities	843.4	972.6	481.3	550.5	57.1	56.6
Wholesale Trade	644.5	596.0	544.6	503.4	84.5	84.5
Retail Trade	480.2	501.1	416.9	424.8	86.8	84.8
Finance	2,000.0	1,906.7	1,013.9	934.1	50.7	49.0
Services	336.9	339.1	241.2	215.7	71.6	63.6
TOTAL ALL INDUSTRIES	9,259.2	8,639.3	5,578.7	4,825.8	60.3	55.6

Source: Statistics Canada, *Corporation Taxation Statistics,* 1970.

smaller competitors. This is accelerating a trend to larger and fewer mining corporations, bringing less competition in the mining industry, and encouraging the sale of small Canadian owned mining firms to foreign competitors. Table 5-3 illustrates the degree to which federal government taxation policy favours the mining industry. Whereas companies engaged in metal mining paid taxes on 18 percent (1969) and 23 percent (1970) of their profits, companies engaged in, for example, wholesale or retail trade had to pay taxes on 85 percent of their profits.

Given the absence of provincial policies to gain the full benefit of the development of their mineral resources, and given the fact that the provincial corporation income tax is based on the federal definition of taxable corporate income, the effect of the various federal exemptions and fast write-offs for the mining industry has been to reduce both the federal and provincial corporate tax revenues.

As was shown in Chapter 2, the benefit of these taxation policies in terms of their employment effect is also highly questionable given that the policies subsidize the employment of capital and not labour in an already highly capital-intensive industry. They encourage an over-investment in the mining industry creating an over-exploitation and exportation of mineral resources to the detriment of other industries.

EFFECTS OF FORMER PROVINCIAL MINING POLICIES

Returns to the Province from mining have been further reduced by its own policies which have provided benefits to mining corporations without recovering costs. As a result of obligations under agreements that were made by past governments 15 to 30 years ago, the government has provided certain services, such as sewage, schooling and hospital facilities to mining companies and mining communities, but has been unable to recover the complete cost of these services because the terms of the agreement have established fixed payments which have not covered the rising cost of those services and mining company property has been exempted from local taxation. Terms of these agreements in some cases bind the government for up to 60 years. Public expenditures on transportation facilities have been necessary to provide services to mines developed by the private sector. Past government policies have subsidized private mining interests by providing geodetic and topographic mapping services and geological surveys for free or at a price below cost. Mining developments inevitably cause some damage to the environment which must be borne by the public: in fact, mining companies are specifically exempted by legislation from liability for pollution damage. Development has proceeded in a pattern that has not necessarily been rational because the private sector has not been required to bear the cost of much of the infrastructure associated with mining development.

POLICY OBJECTIVES

Future resource policy for non-renewable resources in Manitoba should seek to increase the benefits which accrue to the owners of these non-renewable resources, the people of Manitoba, while allowing a fair rate of return to the existing corporations for the capital and skills which they have invested in mining.

More co-operation among the provinces is necessary and should be pursued in the future, to convince the federal government to change its tax treatment of mining firms, and to co-ordinate provincial policies towards mining companies. Too often in the past large mining corporations have been able to play off one province against another.

Increased emphasis should be put on exploration by the publicly-owned Manitoba Mineral Resources Limited. It can be expected that some developments would occur as a result of this exploration, and that at some time in the future Manitoba Mineral Resources Limited or a new crown corporation would become engaged in mineral production, either alone or as a joint venture with private mining companies.

Mineral development in future should take place only after consideration of all costs and benefits related to that mineral development: the social costs which are borne by the government and public as well as private economic costs borne by the companies. Public services can be provided at a charge which will at least cover costs and would be borne by the private interests which benefit. Through comprehensive planning for the North in conjunction with private and public interests, the government can ensure that the development of mining in northern Manitoba would take place at an optimal rate in a pattern which will build on existing infrastructure – the public facilities, roads, airstrips, railways, schools, hospitals, all public and private buildings and improvements in a townsite. As part of the objectives of *Guidelines,* the government would increase the range of social amenities available in northern mining towns. Future townsites would be established only after planning has taken into account social and economic objectives. The difference between existing towns and facilities, such as Lynn Lake which was established during the 1950's and Leaf Rapids, presently under construction, is representative of the trend in government policy intentions. Efforts should be made to diversify the economic base of northern mining communities, to ensure that viable communities can remain after the non-renewable resources have been exhausted.

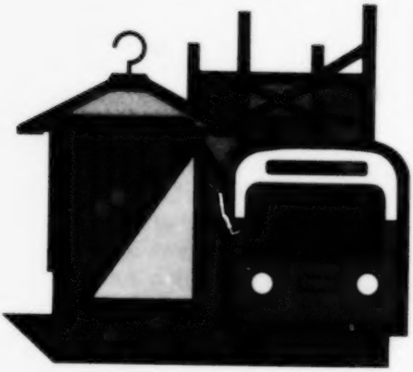
More concern should be shown for the effects of mining development on the environment in order to ensure that the environmental damage caused by the development of non-renewable resources to renewable resources is minimized. Also, special consideration should be given to the employment, and improvement in skills, of northerners in mining developments and in the jobs which are created in the goods and service industries located in mining towns.

The government has a broad range of instruments and strategies which it can employ in achieving the objectives that have been established for the non-renewable resources sector, such as taxation policy, publicly-owned exploration and mineral development corporations, and regulation. Exploration and development by a crown company is one alternative extended to maximize public returns from mineral development in the future. However, it will need time to expand its activities and develop experience in exploration and mining. Different taxation policies have different effects on the behaviour of different mines, and therefore can only be implemented after careful consideration and consultation with existing mining corporations. In order to contribute to both the social and economic development of Manitoba and Manitobans, agreements can be made to benefit all parties concerned – which will allow a fair rate of return to the corporations for their investment in mining, while ensuring that a fair rate of return accrues to the people of Manitoba, the owners of the minerals.

Chapter 6

Manufacturing and Service Industries

Manufacturing and Service Industries



This chapter presents policy alternatives for a long-run industrial strategy in relation to the manufacturing and service sectors of the Manitoba economy. Before the policy alternatives are presented, however, an analysis is made of the general impact of these two sectors on employment and income in the province. As well the effects of such factors as foreign ownership and market concentration on the development of the provincial economy are reviewed. Certain existing constraints on industrial development in Manitoba are also examined. This assessment of current conditions is followed by a discussion on the effect of industrialization generally on economic development and its implications for long-run policy strategies.

THE IMPACT OF MANUFACTURING AND SERVICE INDUSTRIES

THE EMPLOYMENT IMPACT

Employment in the manufacturing sector rose from 97,800 to 111,400 between 1961 and 1970. However, the share of employment in this area fell from 34.5 percent to 32.1 percent during the same ten year period. On the other hand, employment in the service sector rose significantly from 120,900 to 178,400 from 1961 to 1970. The service sector's share of total employment rose from 42.6 percent in 1961 to 51.3 percent in 1970. Within the manufacturing sector, employment in durables grew much faster than in non-durables (43.6 percent compared to 12.4 percent). Employment in construction grew by 26.4 percent and in transportation, communication and other utilities by only 1.6 percent. In the service sector, employment in trade grew by 37.2 percent, and in finance, insurance and real estate by 35 percent. In community business and personal services, employment grew 65 percent with the largest growth occurring in the commercial sector (62.2 percent). Public administration and defence grew by 25.6 percent.

THE INCOME IMPACT

A comparison of the average weekly earnings of Manitobans reveals considerable variation among the different industrial components providing employment and income. Between 1961 and 1971, for example, the level of average weekly earnings increased some 68 percent, from $73.66 to $123.84. The major component of the manufacturing sector, "specified manufacturing", was slightly higher than the average in 1971, with a weekly earnings average of $125.06. The second major component of this sector, construction, paid an average of $164.93 per week, well above the provincial average in 1971. In the services sector a broad range of earnings was evident, from $83.97 weekly in personal, business and community services, to $143.22 in transportation, communication and utilities. These figures are presented in Table 1.

Variations such as these lead to the conclusion that two distinct labour markets exist in Manitoba – one characterized by high wages, the other by low wages. The continued existence of this dual labour market is related to problems of restricted opportunity and limited mobility and has important implications for industrial policy.

Two inferences can be drawn before designing an industrial policy concerned with equitable distribution of income. The first is that greater opportunity for those in the low-wage market can only occur if the proportion of jobs in the high-wage market is expanded. The second is that upward mobility can only be fostered by eliminating the barriers which prevent low-wage earners from entering the high-wage market. In addition, of course, special attention must be paid to those who may be in a relatively poor competitive position. As will be seen later, these requirements can be translated into measures such as on-the-job training and special placement services, improvement in minimum wage levels, increased employment of disadvantaged persons in the public sector, expansion of public works and community service projects, and public initiative in industrial activity. This would provide better paying jobs in new areas and develop techniques to raise productivity in marginal industries. A further elaboration of Manitoba's dual labour market is presented in the Employment and Manpower chapter.

INDUSTRIAL ORGANIZATION

FOREIGN OWNERSHIP

Competition among provinces for private investment has accelerated the involvement of foreign firms in the Canadian economy. Unfortunately, this competition has often ignored the important economic and social costs implicit in foreign investment. Certainly, there can be benefits associated with foreign investment, such as access to entrepreneurial capital. Such capital is allied directly with entrepreneurial skills and takes an active part in the development and management of enterprises in which it invests. Additional advantages of foreign investment include access to markets for Canadian products, access to advanced technology, and some additional government revenue.

Nevertheless, the disadvantages of foreign investment are real and merit serious consideration. These include extraterritoriality – that is the intrusion of the jurisdiction of one country into another – private trade restrictions imposed by parent corporations, unsatisfactory purchasing policies, technological dependence, impairment of the development of native entrepreneurship, capital drainage from Canada, and exportation of relatively unprocessed raw materials. Some of the disadvantages will be described more fully later.

Data collected under the Corporate and Labour Unions Return Act (CALURA) by Statistics Canada provide an indication of the extent of foreign involvement in the Manitoba economy. CALURA figures for 1969 showed that 39.1 percent of Manitoba's corporate taxable income, exclusive of financial institutions, accrued to non-resident firms. Within the overall total, the non-resident control percentages were: mining 76.1 percent, manufacturing 45.7 percent, construction 26.5 percent, transportation 8.5 percent, wholesale trade 22.5 percent, retail trade 55.4 percent and services 26.2 percent. The same source reported that in the machinery, petroleum and coal products, primary metals, transportation equipment, leather products, and chemicals and chemical products industries, over 70 percent of corporate taxable income accrued to non-resident firms.

Interestingly, despite these relatively high percentages, the degree of foreign control of capital is lower in Manitoba than in the nation as a whole, except in certain wholesale and retail trade sectors, mining, and some other industries. This appears to be accounted for by a combination of factors. For one thing, there are a few large Manitoba firms in industries which are characterized by a high degree of non-resident control. In addition, there are a number of Canadian

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TABLE 6-1

AVERAGE WEEKLY EARNINGS BY INDUSTRY – MANITOBA – 1961-1971

(dollars)

	1961	1971	Percentage Increase
1. Mining including milling	99.02	177.94	79.7
(a) Metals	102.06	179.63	76.0
2. Manufacturing	72.25	125.06	73.1
(a) Durable Goods	77.92	134.55	72.7
(b) Non-Durable Goods	69.24	117.98	70.4
(c) Food and Beverages	76.41	131.19	71.7
i. foods	75.24	128.59	70.9
ii. slaughtering and meat processing	89.50	151.96	69.8
(d) Clothing	46.91	79.45	69.4
i. men's clothing	43.56	79.02	81.4
(e) Printing, Publishing and Allied Industries	75.26	129.71	72.3
(f) Metal Fabricating	82.51	139.27	68.8
(g) Transportation Equipment	79.52	131.90	65.9
3. Construction	84.20	164.93	95.9
(a) Building	84.04	164.71	96.0
i. general contractors	84.53	164.28	94.3
ii. special trade contractors	83.29	165.16	98.3
(b) Engineering	84.50	165.63	96.0
4. Transportation, Communication and other Utilities	81.91	143.22	74.9
(a) Transportation	83.76	143.29	71.1
i. air transport and services	102.36	177.00	72.9
ii. railway transport	86.23	150.30	74.3
iii. highway and bridge maintenance	71.10	124.43	75.0
(b) Storage	71.19	124.29	74.6
(c) Communication	75.40	140.46	86.3
(d) Electrical Power, Gas and Water	87.40	158.56	81.4
i. electric power	88.30	163.31	84.9
5. Trade	65.24	101.19	55.1
(a) Wholesale Trade	72.78	125.38	72.3
(b) Retail Trade	60.01	87.08	45.1
i. food stores	44.33	95.54	115.5
ii. department stores	61.36	74.28	21.1
iii. automotive product stores	73.70	119.46	62.1
6. Finance, Insurance and Real Estate	70.38	121.87	73.2
(a) Financial Institutions	65.12	119.80	84.0
(b) Insurance and Real Estate	75.90	123.96	63.3
7. Service	50.19	83.97	67.3
(a) Personal Services	41.15	65.28	58.6
i. hotels, restaurants and taverns	40.22	63.17	57.1
8. Industrial Composite	73.66	123.84	68.1

Source: Statistics Canada, *Employment, Earnings and Hours* (72-001) owned firms in those industries, (predominantly Canadian-controlled) which have a greater influence in the Manitoba economy than they do in the Canadian economy. However, this should not be interpreted to mean that the current situation in Manitoba is satisfactory or desirable. Rather, it is merely a manifestation of the high state of dependence of the Canadian economy in general.

It would not be possible to undertake here a comprehensive calculation of the benefits and costs of foreign investment in Manitoba. Previous experience, however, suggests alternative approaches that could generate many of the benefits of foreign investment without incurring the inherent costs involved. Past programs for economic development based on foreign investment have subtracted from the degree of control that the people of this province are able to exercise over the benefits our economy provides.

Directly related to the problem of foreign control, of course, is the world-wide expansion of multi-national corporations in recent years. These firms have economic advantages which can severely affect any area in which they are located – advantages which arise from the combination of size and global manipulation of interests. The goal of such corporations is maximum returns for the entire unit, even if the interests of a single part must suffer. The multi-nationals' planning horizons are often so broad, and their economic resources so strong, that short-run attempts by governments to influence their behaviour have usually been in vain.

Because multi-national corporations are able to set their own prices for internally-traded goods and services, they can, to a large extent, transfer profits to other jurisdictions in order to minimize taxation. By declaring profits outside the country, these multi-national corporations can minimize the benefits from investment compared to locally-owned companies.

The rise of the multi-national enterprise also points up the hierarchical structure of the economy as it affects Manitoba and its various regions. At the bottom of this hierarchy are the rural regions of the province which are dominated by urban areas and primarily Winnipeg. These urban centres, in turn, serve as part of the "interland" of central Canada which, according to some economists, is a segment of the hinterland of the United States. To generalize the workings of this hierarchy, a process develops whereby resources and wealth are eventually transferred from the hinterland to the dominating region. The outflow includes not only natural resources but also labour as well as profits and savings. This structural relationship will exist until basic decisions are made at the federal level to alter it. In the meantime the Manitoba government will consider means available to minimize foreign investment impact and prevent the situation from worsening.

MARKET CONCENTRATION

Control of the provincial economy is also determined to a certain degree by the extent to which industrial assets are owned by a limited number of firms. CALURA statistics reveal that many Canadian markets are dominated by a few large firms. Although there are few statistics illustrating the extent of market imperfections in specific regions, there is an indication that concentration tends to increase the smaller the market being analyzed gets. A study of Concentration in the Manufacturing Industries in Canada published in 1971 by the federal department of Consumer and Corporate Affairs demonstrated this tendency. It showed that concentration is higher in mining, manufacturing, finance, and insurance than in agriculture, personal and business services, wholesale and retail trade, and construction. The conclusions that could be drawn are that relatively small market areas such as Manitoba, and its regions and sub-regional centres, would be more prone to concentration than the national economy generally, and that the industries most susceptible to concentration may, in many cases, be those which could be expected to provide the greatest impetus in the province's economic development.

GEOGRAPHIC CONCENTRATION

The impact of the manufacturing and service sectors on the spatial concentration of both industry and population is closely related to the problem of market concentration. For example, while only about 55 percent of Manitoba's population in 1970 resided in the Winnipeg area, some 68 percent of all manufacturing employment and around 62 percent of service employment excluding Public Administration and Defence were found in the province's largest city. When those sectors are broken down into their various components, it is found, for example, that 40,800 persons were employed by manufacturing firms in Winnipeg, or 82.4 percent of all provincial employment in that classification. Some 68.7 percent of Manitoba's construction employees were also located in Winnipeg, and in transportation, communication and other utilities, 52.9 percent of all provincial employees were in the Metropolitan area – 44.9 percent of transportation employees and 68.8 percent of communications employees.

TABLE 6-2

WINNIPEG EMPLOYMENT AS A PERCENTAGE OF MANITOBA EMPLOYMENT, BY SECTOR, AND INDUSTRY, 1970*

Sector and Industry	Manitoba	Winnipeg	Winnipeg Percentage of Manitoba Employment
MANUFACTURING	111.4	76.1	68.3
1. Manufacturing	49.5	40.8	82.4
(a) Non-Durables	28.2	23.6	83.7
(b) Durables	21.4	17.2	80.4
2. Construction	16.3	11.2	68.7
(a) Building	5.3	3.3	62.3
(b) Special Trade Contractors	8.0	6.6	82.5
(c) Highways, bridges and streets and other	3.0	1.3	43.3
3. Transportation, Communication and Other Utilities	45.6	24.1	52.9
(a) Transportation	30.1	13.5	44.9
(b) Communication and other utilities	15.4	10.6	68.8
SERVICE	178.4	111.4	62.4**
4. Trade	57.2	43.1	75.3
(a) Wholesale	19.4	14.7	75.8
(b) Retail	37.8	28.4	75.1
5. Finance, Insurance and Real Estate	13.5	11.0	81.5
6. Community, Business and Personal Services	87.1	57.3	65.8
(a) Non-commercial Sector	53.2	30.7	57.7
(b) Commercial sector	33.9	26.7	78.8
7. Public Administration and Defence	20.6	(not available)	
TOTAL	289.8	187.5	**

Source: Statistics Canada, ***Estimates of Employees by Province and Industry*** (72-008)

Note: *1970 is the last complete year of data.

**Excluding Public Administration and Defence.

In the service sector labour force, the highest geographic concentration in Winnipeg is in finance, insurance and real estate (81.5 percent) followed by trade (75.3 percent) and community, personal and business services (65.8 percent). In this latter category, 57.5 percent of non-commercial service employment is found in Winnipeg, while 78.8 percent of the province's commercial service employment is found in that urban centre. These figures are presented in Table 6-2.

CONSTRAINTS ON INDUSTRIAL DEVELOPMENT

To those familiar with the Manitoba economy it is clear that the province is still heavily dependent on primary production. However, employment opportunities in agriculture have declined in the past. While the policies recommended for agriculture in *Guidelines* can be expected to maintain agricultural employment at approximately its current level, future increases in the labour force will have to be accommodated in other industries. Development based on primary activities in non-renewable resources is subject to random discovery and technological changes which emphasize capital, rather than labour inputs. These factors have led governments to look to industrialization as a means of promoting, influencing or maintaining economic development.

In order to assess the challenge posed by attempting to influence economic development through industrial expansion, it is essential to understand the constraints faced by this province, as well as the often overlooked consequences of the industrialization process itself.

Clearly, Manitoba is not without industry. In fact, Winnipeg is the major industrial centre in the prairie provinces. The industrial complex in Manitoba, however, is still small in terms of output and in terms of scale of operations. When compared to areas such as southern Ontario, the Great Lakes region, or the eastern seaboard of the United States, Manitoba is relatively non-industrialized.

In the context of the North American market, Manitoba is well located near the Upper Midwest of the United States. In many instances, however, there are tariff barriers to overcome in order to enter this market. Climatic and resource restrictions also work to Manitoba's disadvantage.

Most manufacturing activity in Manitoba serves a local regional market area although some Manitoba firms do compete at the national level, usually by offering high quality and sometimes unique products as well as through skilled management and innovative research and development activity. Even for these firms, however, the future is subject to some question. The firms and their relative shares of the market are small even by Canadian standards, let alone world standards.

Limited size is not always a disadvantage, of course. If these firms expanded to the point of competing effectively with large national or international enterprises, many would suffer the consequences of an adverse reaction by larger concerns. A possible result of this reaction could be the corporate takeover of some of the provincially-based enterprises, which could in turn result in their relegation to "branch-plant" status. Such a reaction is not axiomatic, and there are obvious exceptions, but the history of Manitoba's industrial development would appear to bear out this concern.

The costs and patterns of transportation impose a constraint on any dynamic industrial expansion in Manitoba or on any major change in the distribution of industrial activities undertaken by the Province. In many instances, manufactured goods can be transported as cheaply from Toronto to Vancouver as from Winnipeg to Vancouver because of existing freight rates. Another disadvantage is that many raw materials for producing Manitoba products must be imported, and the finished products themselves are often bulky. This adds to shipping costs on all provincial output aimed at external markets. It is also particularly onerous for rural, non-Winnipeg firms which in addition must meet shipping costs to and from the province's transportation centre. These facts point clearly to the need for federal government action to minimize transportation cost differentials and, more particularly, to reduce freight rate inequities and to promote development of such provincial facilities as the Port of Churchill which promise substantial transportation cost reductions.

Two further constraints which are less obvious but no less important stem from Manitoba's position as a province within a federal system. The first is that Ottawa controls monetary policy and its fiscal policy is more powerful than the provinces. Application of these policy tools does not affect the Canadian economy uniformly. Relatively remote areas, for example, are usually the first to be affected adversely during periods of "tight money", and the last to recover when monetary policy is eased. The federal government has greater resources than any one province, which limits provincial ability to counter inappropriate federal policies. Moreover, the application or withdrawal of federal funds can cause severe repercussions in the province's economy. It is difficult for a province either to match the effect of federal expenditure applications, as in the case of beneficial development assistance, or to offset their withdrawal as in the closing of military bases.

The second constraint of the federal system relates to the question of expanding private investment in the province. Provinces and even municipalities have tended to compete with each other for industry not only through promotional efforts, but also through financial incentives such as guarantees on bank loans, grants, tax concessions and so on. Development agencies responsible for this type of competition originated in the late 1950's in the "have not" provinces, but the "have" provinces soon entered the field. The result has been an on-going escalation of give-aways at the taxpayer's expense, and competitive wastefulness to the disadvantage of all provinces.

Provinces can take action by themselves to limit their participation in this kind of illogical competition. Manitoba, along with some other provinces, has done so but unilateral provincial action cannot match the potential value of a positive decision at the federal level to curb incentive competitions between provinces and to develop lagging areas of the country. Manitoba favours such a national-level decision and has urged repeatedly that it be taken.

In the meantime, the province will continue to assess the true costs and benefits of industrial development opportunities, given the external constraints, and will base its plan and programs for economic development on these assessments. Manitoba will also press other provinces and the federal government to develop a more effective approach to dealing with regional disparities.

HUMAN RESOURCES

There are two approaches that can be adopted in relating human resources to industrial development. On the one hand, development policy can be concerned with providing the labour supply needed by new or expanding enterprises. This approach has been used by governments in the past, as can be seen by policies in education and training. Essentially, the process has been to provide the skills demanded by existing or incoming industry. In many cases, however, labour has been imported because the necessary skills were not available in a particular region.

An alternative approach is to provide employment for the skills which do exist, even if those skills are not fully developed and there is presently no direct labour market demand for them. This sort of approach would aid in the employment of disadvantaged persons. In either case, the challenge is one of matching skills available with skills required. In practice, this is not an easy task.

A further complication is that manpower resources are not distributed to best advantage throughout the province. In many cases, labour pools may be too small to support a plant of a large scale or to allow for its expansion. Workers in some regions may have an aversion to working in a factory environment. This can lead to problems of absenteeism and instability, as does the fact that industrial work in many cases may be a-second-income source. The example of farmers obtaining jobs outside of agriculture in the winter is the obvious one.

STRATEGIES FOR DEVELOPMENT

The maximization of general well-being is the first principle of *Guidelines* and any strategies for industrialization must be subordinate to this principle. To deal with the issues of how much industrial expansion is desired, what kind, and over what time horizon, the entire process of industrialization must be understood. Rapid industrialization is often portrayed as the only way to achieve satisfactory economic development; however, two fundamental points about industrialization warrant emphasis:

- It has far reaching social and economic consequences which go well beyond a single firm, industry, sector, or region, and is much more complicated than the task of job creation alone.
- While the process of industrialization can result in substantial benefits, it also can encompass threats to people, to their social relationships and to their environment. It must be remembered that all jobs created directly or indirectly by industrialization are not necessarily good jobs. The criteria of economic and social well-being is not served by providing low-wage jobs and inadequate income for workers, by providing jobs in industries which pollute the environment, or by concentrating employment in urban areas where there are insufficient workers while people in rural areas are partially or totally unemployed.

Given these implications of industrialization – particularly the negative implications when it is unplanned or inconsistent with a society's goals – and the imbalance which it can create in terms of income, living conditions and community structures, it must be the responsibility of government to evaluate industrial development alternatives with utmost care. If betterment of the human condition is the primary objective of industrial expansion, then expansion itself must be a mechanism for positive social change – and not its master. This requires a clear conception of how "betterment" is to be defined and translated into real terms. That, of course, is one of the purposes of *Guidelines,* and that is what lies at the heart of the proposed strategies for development.

THE NEED FOR CONSIDERING SOCIAL COSTS

The maximization of general well-being requires that development strategy in general, or any industrial project in particular, must be evaluated in terms of its social costs and benefits. For example, the pollution of the environment occurs to a large extent because producers (and consumers) have not been forced to pay the costs of environmental damage.

These costs are borne by the general public either as a threat to the individual's health in the case of air pollution, or in the form of clean-up costs or loss of use in the case of polluted rivers and streams. An obvious case can be made for the costs of environmental damage being included in the determination of the desirability of any new industrial project (and in assessing the viability of existing operations).

A second example of the necessity for social cost accounting follows directly from the discussion of the social costs of migration in Economic Overview chapter. If the social costs of continued rural depopulation are to be avoided, this consideration must enter explicitly into the calculation of costs and benefits for any project appropriate to rural Manitoba.

A third example relates to the government's commitment to full employment. The social cost of hiring unemployed labour is lower than the cost of the worker's wages since there will be a saving in the form of reduced unemployment benefits or welfare payments. In addition, there will be the benefits of the direct contribution of the worker's output plus the multiplier effects of an increase in the demand for inputs in the demand for final goods and services resulting from his increased income.

This means that certain projects may become viable in times of high unemployment or may be continually viable in any area of the province where unemployment is chronically high. Only by assessing social costs and benefits can the appropriate consideration be given to a strategy for industrialization.

THE RELATIONSHIP OF GROWTH TO OTHER OBJECTIVES

Objectives that are often taken to be ends in themselves should be seen as only the instruments or means to maximizing well-being. We have already seen how this requires a proper system for evaluating alternatives on the basis of social costs and benefits. The phrase "crude growth" is often used to express the kind of growth which is not based on social costs and benefits, but considers only the private costs and benefits determined in the marketplace. A proper calculation of social costs and benefits will provide an estimate of growth properly measured. This properly measured growth must be considered as part of a combination of instruments which will maximize general well-being.

(a) Full Employment

The question then arises as to how much growth is required and how this growth should be related to other instruments. One primary requirement is that growth must be sufficient to achieve the full employment objective of the government. However, full employment requires more than equating the total of jobs available and the size of the labour force. Growth must be generated in the regions and sectors of the economy where there are now insufficient opportunities.

The aim of this government is to provide a maximum number of meaningful employment opportunities and to provide them in such a way throughout the province that the *stay option* becomes a reality. One real problem which will emerge is that of an expanded labour force with low levels of job skills in many cases. It is exactly this type of problem which the government is presently attempting to resolve by supporting programs such as the Northern Manpower Corps, Work Activity Projects, and projects such as the Louis Riel Industrial Co-op at St. Laurent. Activities in this direction, whether of a private, co-operative, or public nature would be encouraged and extended as an essential adjunct to a full employment policy. In addition, the Provincial Job Office would be used as an initiating force in developing employment opportunities and smoothing seasonal employment fluctuations.

The provincial government as a residual employer through the Guaranteed Employment System must be concerned not only with those who are currently unemployed and seeking work. It must also be concerned with providing employment for disadvantaged groups, disabled persons, women who will join the labour force in the future, full and part-time students, and so on. A provincial industrialization strategy must, therefore, be adaptive and should take into consideration the cross-section of people for whom employment must be generated: those with low skills or with limited experience, rural workers, women or students with little or no work experience, minority groups requiring special job consideration, as well as skilled and educated persons who have previously had to leave the province to find employment.

(b) Sectoral Balance

Another factor to be considered is the need for sectoral balance. For instance, Manitoba's current industrial structure suffers from relatively high winter unemployment, regardless of the average level throughout the year. During the last six winters there has been an average difference of 10,000 unemployed between the summer low and the winter high. This seasonal unemployment has been the prime target of the government's current employment programs, but a longer term strategy should be based on altering the industrial structure so that seasonal swings are minimized. This could be done through a variety of methods. The first is to find industrial activities which can complement the seasonal swings in unemployment such as trapping which complements the activities of many fishermen. This does not require the industry be a seasonal one, but merely one which can perhaps operate on a part-time basis and which can be activated during the slack winter season. Again, the need is apparent to integrate this strategy with manpower training and to locate these activities where the seasonal unemployment is high.

A second approach is to reorient the activities within the seasonal industry itself. In the construction industry for instance, changing the technology of building can permit a greater amount of construction to be completed in winter months. The provincial Capital Works Acceleration Program has been designed to alter the demand for construction work during the winter months by shifting provincial government construction from the summer months. The Municipal Special Loans and General Emergency Fund will also have the effect of shifting capital construction work to the winter months.

A third approach concerns the development of new industries in Manitoba. One of the criteria which will affect the desirability of new industries is the stability of employment throughout the year. Industries which can provide employment on a year-round basis are generally preferable to those in which winter unemployment is high.

The stability of the industrial structure has implications beyond any problem of the seasonal variation in employment. Industries rise and fall in their importance to the economy as market conditions change and as technology alters the possibilities for production. In the past, Manitoba's economy was heavily dependent upon the production and export of agricultural products. When the markets for agricultural products were strong and prices were high, the reverberations were felt through the rest of the economy in a positive way. When the markets were depressed, such as during the 1930's, the impact on the rest of the provincial economy was severe. The lesson of this experience should not be lost in developing an industrialization strategy for Manitoba. As has been discussed in the Agriculture chapter, it is suggested that agriculture policy should be oriented towards diversification within agriculture itself. A strategy for manufacturing and service industry must also embrace the necessity for diversification. The markets for manufactured goods and the technologies involved in their production can change rapidly. Too heavy a reliance on one industry can lead to instability in the future, and this potential instability must be weighed against the possibilities for growth.

A diversification strategy within the manufacturing and service sectors implies generally that an attempt will be made to develop new industries in such a way that the economy is not over-dependent on exports in any particular industry and is able to generate sufficient internal momentum to absorb the disruptions that result from external shifts in the demand for Manitoba products. On one hand this requires a broadening of the markets for our exported goods. The Department of Industry and Commerce has been actively pursuing this end by encouraging the expansion of Manitoba's exports to Europe, South America and the Far East. A second requirement is that the range of Manitoba's exports must be extended. On the other hand, the development of internally-generated momentum will require less overall reliance on the export of goods and services. In framing an industrial development policy for Manitoba, it is desirable and useful to explore the possibilities of substituting locally-developed products for those which are currently being imported.

Naturally, some degree of importation will always be necessary as a province cannot be isolationist and survive. Nevertheless, there appear to be several areas where the resources, skills, and technological capacity exists in Manitoba to produce needed products which would otherwise be imported. In future, other such areas will evolve. Import substitution leads to a lessened dependence on exporting and also expands employment possibilities of a varied nature in the province.

The first step in developing import-substitution mechanisms is to systematically identify the various products now imported into Manitoba and their points of origin. The next step must be to evaluate the potential for domestic production of these products. The various Commodity Branches of the Department of Industry and Commerce have begun this process and their efforts will be intensified in the future. Specific industrial projects will develop as these studies proceed. In addition, government purchasing, in such areas as office furniture, could be more strongly weighted in favour of indigenous firms, assuming those firms were competitive in quality with their opposition.

In this respect, a study of the problems of, and possibilities for, import substitution in government purchasing is currently underway. Government could have a many-faceted role in import substitution. It could, for example, suggest various means whereby Manitoba producers could overcome cost advantages enjoyed by outside producers, such as brand-name identification. A government testing service could provide technical assessments on the merits of all brands of a particular product on the market. This could benefit both the individual entrepreneur (assuming his product met the standard of competing brands) and the consumer.

THE DEVELOPMENT OF HIGH-WAGE INDUSTRIES

The second principle of *Guidelines* is to provide a greater equality of the human condition. In developing strategies for secondary and service industry, the main force of this principle applies to the dual labour market.

Lower wage costs are sometimes cited as an advantage to Manitoba in attracting industrial development. However, it is doubtful that a strategy to attract low-wage industries would be successful, even if it were desirable. Besides the obvious weakness such a strategy would build into the industrial structure and the greater inequality that would follow from accentuating the disparities of the dual labour market, it should be remembered that firms seeking a low-wage climate have a large number of alternative regions to choose from where labour is cheap. It is unlikely then that a low-wage strategy would be successful if it were attempted. Other factors, such as the location of markets and the availability of skilled labour and material supplies are more likely to be of importance. Manitoba's industrial policy should be the reverse of the low-wage strategy.

The policy should be to develop high-wage industries and raise wage levels in low-wage industries through various means, particularly measures to raise productivity. Towards this end, the Department of Industry and Commerce is assisting industry to increase efficiency through the development of management skills, improved technology, and product development.

REGIONAL BALANCE

The *stay option* represents the spatial dimension of strategy for manufacturing and service industry – the commitment to Manitobans that they be provided the opportunity to live and work in the region of their choice. For the province as a whole this principle must apply. It is worth noting that Manitoba has been in a disadvantaged position since Confederation. The National Policy of McDonald with its high tariffs helped concentrate industry in eastern Canada and left western Canada in the role of a grain producer and consumer of eastern-produced goods. These historical advantages still permit eastern Canada to dominate the rest of the country and must be countered by federal action to distribute the benefits of Confederation more evenly across the nation.

Within this general context of Manitoba's position in the Canadian economy, provincial policy for economic development must take cognizance of the special needs and characteristics of the individual regions in Manitoba. The pattern of industrial growth throughout the province should be considered from a broad perspective which inter-relates the economic activities occurring in and among these regions, rather than adopting the viewpoint of any one region in isolation from the others. Given the heavy concentration of manufacturing and service industry in Winnipeg compared to rural and northern Manitoba, a much more even industrial balance between the regions will have to be developed.

LINKAGE EFFECTS AND REGIONAL MULTIPLIERS

Within each industrial activity, there are often a large number of inter-related stages of production or linkages. These linkages can be thought of having three basic forms, backward, forward, and final demand. To take an example, a forward linkage from cattle-raising is slaughtering and a further forward linkage is packaging and distribution. However, it would be possible to have a slaughtering industry without a cattle industry if the livestock were imported for slaughtering. In this case, there would be no backward linkage between slaughtering and the cattle industry. The third form of linkage, final demand, develops because farmers sell their cattle and the workers in the meat processing industry are paid wages. Both spend their earnings on the goods and services produced by other industries. Income is earned through each stage of production and is spent, thereby increasing the demand for products of other industries. When any new industry is established the sum of these three linkage effects is called the multiplier.

What is important to realize is that these linkage effects have a spatial dimension within the province and between the province and the rest of the world. For the province as a whole, some firms will import the inputs for their stage of processing and others will ship their product out of the province for further processing. In addition, part of the income earned in these industries will be spent on imported goods and services. The impact of these linkage effects, i.e., the multiplier, will depend not only upon the technical production relationships within the economy but also on the extent to which various stages of processing are located in the province and final demand goods and services are imported. The earlier discussion of import substitution should be seen in this light. To the extent that locally-produced goods can be substituted for imported goods, either inputs or final demand goods, the number of linkages within the provincial economy will be expanded and the size of the multiplier will be increased. The strategy for manufacturing and service industry should therefore encompass a policy to make the multiplier an object of government policy, not the arbitrary outcome of the marketplace. Through import substitution policies the size of the multiplier can be increased and the benefits of industrial development that accrue within Manitoba can be enlarged.

Within the province's regions, the same analysis applies. There are regional multipliers which are determined by the extent to which linkage effects occur within the particular region concerned. There are additional multiplier effects within the province to the extent that there are further linkage effects in the other regions of the province. While the size of the provincial (and regional) multiplier can be enlarged through import substitution policies for the province, the regional multipliers can also be increased through a shifting of linkages from one region to another.

For the *stay option* this means that if the province's industrial structure is to be regionally balanced, there must be a serious effort to significantly enlarge the multiplier, particularly for rural Manitoba, by increasing the size of the overall provincial multiplier. This does not involve any relocation of existing industry from Winnipeg to the rest of the province; it means, however, that new firms must be located in such a way that maximizes the linkages within rural Manitoba. This will require an investigation into the various stages of production for each kind of industrial activity which can be appropriately carried out in the many areas of Manitoba. The relationship between agricultural production and the food processing industry would be an obvious place to begin, especially since the agricultural industry should be greatly strengthened in the years to come. The purpose of this investigation is not to make each region of the province more independent or autarkic, but to increase the economic interaction within and among the province's regions.

INFRASTRUCTURE

In Winnipeg, an industrialization strategy is much less constrained than in rural Manitoba. The task for Winnipeg is to build on the economic and social infrastructure it has already developed. With the education and skills of its large and diversified labour force, the city should be better able to develop industries which depend on the economies of large scale production. This should be further aided by the existence of its own urban market and a strong and prosperous hinterland.

The location of industry in rural Manitoba requires the building up of the infrastructure of rural communities. The Municipal Sewer and Water Program provides financial aid to communities to install sewer and water facilities. There are also grants to municipalities to equalize water rates. Programs such as these help provide some of the basic requirements for the location of industry. In addition, the emphasis on bringing a greater equality of access to public goods and services such as housing, health, education, and social services should greatly enhance the standard of living in rural Manitoba. This should not only make the region more attractive for industry to locate, but should provide the necessary amenities for retaining the local labour force.

Already, the Department of Agriculture has decentralized much of its operations. The experiences of Agricultural Extension Agents and Home Economists have demonstrated clearly that public employees can play a prominent and useful role in the socio-economic development activities of smaller communities. Of course that role is not restricted to their work functions alone.

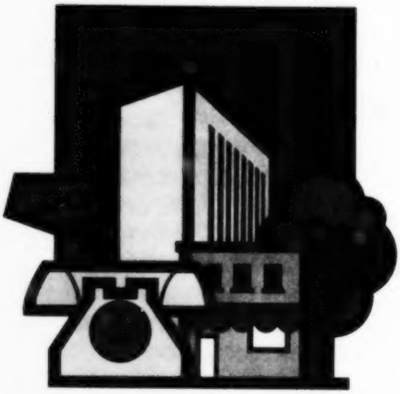
Another successful example of government decentralization has been the location of the Autopac headquarters in Brandon. Not only does this type of relocation provide new career opportunities for local residents and help to bring government service delivery closer to the people but it also increases the community's population base, which in turn may provide the minimum size local market required to create the potential for viable forms of industrial enterprise.

While the various mechanisms of enterprise – public, private and co-operative are discussed at greater length elsewhere, it is necessary to emphasize here that the formulation of alternatives to influence and direct industrial expansion should be predicated on a wide and imaginative use of the various mechanisms of enterprise available. Industrial expansion and its role in socio-economic development should not be constrained by preconceived commitments to one or another enterprise mechanism. Technical and locational feasibilities should be considered first in analyzing potential industrial growth. This should be followed by analysis of the most appropriate enterprise mechanism to employ in a given situation, whether it be entirely private, a mix of private and public, entirely public or a co-operative form.

The approach of this government would be to encourage local economic development by providing instruments through all forms – public, private and co-operative sectors. In this way, Manitobans will be able to more fully participate in the development of their economy. Public participation in the development of rural Manitoba has already been fostered through the Regional Analysis Program of the Department of Industry and Commerce which gathered much of the necessary data to analyze the effects of urban relationships on the pattern of industrial growth. On the basis of such analysis, and with the local participation provided for in the program's community committee structure, it is possible to determine the nature and extent of various types of activity which would be desirable in different local settings.

Chapter 7
Economic Enterprise

Economic Enterprise



An effective economy is one in which resources are allocated in a way as to satisfy the widest range of needs and priorities of the entire society. This can be brought about only through the complementary use of a variety of economic instruments in the private, public, and co-operative sectors.

Throughout *Guidelines for the Seventies,* the four basic principles are improvement of the general well-being, redistribution of society's benefits to achieve an equitable human condition, implementation of a *stay option* to make it economically feasible for residents to exercise choice as to their own lifestyle and location, and developments of means whereby the citizen can participate more effectively in the decisions which affect his life.

A basic ingredient in realizing these objectives is the way in which goods and services are produced. Until perhaps twenty or thirty years ago, the bulk of production in Manitoba was carried out by small and medium sized firms. In any one industry, a number of producers would compete against one another in the market place. The ultimate beneficiaries of such a system were the consumers in that technological advances were quickly passed on to the buying public in the form of lower prices and product improvement. Producers received profits in direct relation to their innovativeness, effort, and ability to provide the kinds of products consumers desired.

This system of 'free competition' had both merits and drawbacks. But, whatever the evaluation of it, this type of economic organization is rapidly disappearing in modern industrialized societies. In industry after industry, free enterprise has been replaced by large corporations which produce most of the output and reap most of the profits. Branch plants of multi-national corporations are located in countries all around the world. They grow by internal expansion and by buying out local companies.

Why is this happening? Partly it is a generational problem. As the original owners of small and medium sized firms face retirement they are ready to accept favourable purchase offers from large externally based corporations. These companies are often willing to pay more than the market price in order to get a toe-hold in the Manitoba economy from which they can grow and reap large profits. Partly it is a matter of technology. Large companies are often more efficient than small ones. They drive local, family-run companies out of business, forcing them to sell out or to agree to a merger.

In the resources field, only giant corporations can mobilize the large amounts of capital that are required to participate effectively. The same is increasingly the case for many manufacturing industries. The small scale operator is even being replaced in the distribution industry and such service industries as hotels, movie theatres and the like.

Giant corporations have enormous advantages over small scale enterprises. These corporations can borrow money more cheaply, they have access to better technology, they can pay for management support services, and they can more easily pass their taxes on to consumers in the form of higher prices. Because they have higher productivity they can also more easily absorb wage increases and improvements in working conditions. They can afford to absorb short term losses much more easily and this can in turn have obvious effects in market place strategies.

Some of these advantages are the inevitable consequence of size, but many of the advantages are continued through tax laws, financial institutions, and other economic arrangements that have the net effect of favouring large firms over small.

The consequences of this major change in industrial structure are far-reaching, both for consumers and for local producers. Decisions that affect the daily lives of Manitobans are increasingly being made outside of Manitoba and outside of Canada.

The fact that in industry after industry, production is controlled by a few large firms means that consumers are becoming increasingly disadvantaged in terms of what their income can buy. Food prices are constantly increasing, and, according to the Batten Report*, the monopolistic structure of the food distributing industry must bear a large share of the blame for this. Drug prices in Canada are among the highest in the world and this is not unrelated to the dominance of the large, multi-national pharmaceutical companies. According to the Klass Report**, promotional efforts by the industry's leaders amount to 25 percent to 30 percent of total sales. This, of course, is paid for by the consumers of pharmaceutical products. Automobile prices in Canada are still substantially above those in the U.S. in spite of a "free trade" agreement. This again is the result of the power of the automobile companies to control markets in their own interests. Prices of many farm inputs are set at levels that yield enormous profits to the "agri-business" sector. Thus, multi-national firms in the fertilizer industry are able to charge higher prices for Brandon-manufactured fertilizer in Manitoba than in nearby American states.

The high cost of goods produced in monopolized industries is something that relates not only to "luxury" items but to a wide variety of basic necessities. As a result, the monopolization of industry affects consumers from all walks of life. This is particularly true for working people who find it harder and harder to provide an adequate standard of living for themselves and their families.

This form of industrial organization operates to the detriment of not only consumers, but also local producers. Only eight percent of manufacturing establishments in Manitoba have more than 100 production-related employees. But this eight percent of the firms produces 60 percent of the value added in manufacturing. Conversely, 92 percent of all Manitoba manufacturing establishments have fewer than 100 production-related employees; 84 percent of establishments have fewer than 50 production-related workers.

These small firms are increasingly hard-pressed in a world of corporate giants. Because they operate on a scale that does not allow for the development of expertise in areas such as traffic management, exporting, financing and market research, they find their markets continually being encroached upon by the larger multinational firms. Their lack of access to adequate financing and certain key inputs renders expansion difficult and makes it unlikely that innovative ideas will be translated into production realities. Because these firms operate in an increasingly insecure environment, they face the constant threat of being swallowed up by the corporate giants or simply going under.

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*Commissioned by the Prairie Economic Council and published in 1968.

***Report of the Advisory Committee on Central Drug Purchasing and Distribution*, April, 1972.

It is necessary, therefore, for government to use its resources to improve the economic situation for local consumers and local producers. This policy has a number of components:

- Encouragement of individual entrepreneurship via the continued provision of certain key inputs, such as marketing and franchising services for firms too small to organize market penetration by themselves, feasibility research and loan packaging, management training programs, productivity audit analysis, and facilitating technological product design improvement for small firms which are unable to afford these services themselves.
- The promotion of the co-operative movement, especially for disadvantaged groups served inadequately by both the public and private sectors.
- The use of crown corporations at both the provincial and local level to greatly influence the nature and structure of production in Manitoba.

These policy components will all be discussed in greater detail in the body of this chapter. However, given the misconceptions and controversy surrounding the use of public enterprise mechanisms generally, it is useful to point out the long tradition of public enterprise both in Canada and Manitoba.

Public enterprise has been commonly used to provide essential goods and services which private enterprise has failed to supply either because it could not raise the necessary capital or because the profits were not sufficiently attractive. Thus, Polymer Corporation was set up by the federal government to manufacture synthetic rubber; El Dorado was established as a crown corporation for mining.

In industries which are natural monopolies, where technology excludes more than one company from supplying the product, public ownership or public regulation of private companies have always been resorted to: telephones, power and water are examples. Left to themselves, private monopolies would charge exorbitant prices to the detriment of all, including the business sector. It was to avoid this that utilities have come under public control and ownership. As a result, the activities of the Manitoba Telephone System and Manitoba Hydro have brought substantial benefits to the province. Manitoba residents have lower telephone rates than residents of those parts of the country where the privately-owned Bell System still operates, while both consumers and producers receive hydro power at cost.

There have also been occasions when the crown has brought into public ownership an industry which was considered essential but which in private hands was inefficiently organized and therefore exacted unnecessarily high prices. Hawker-Siddely's steel-works in Sidney, Nova Scotia is an example of a company which was on the verge of closure for years, because of an inability to compete in world markets. When the provincial government finally brought the operation under its control it modernized the plant, increased exports and turned the operation into a profitable and job-sustaining venture. In Manitoba the inefficient organization of the automobile insurance industry led to the establishment of a public corporation to bring down prices to consumers.

The Crown has been forced into business from time to time for reasons not of its own choosing. The CNR was created because a few large and influential railway companies went bankrupt. The government of Canada bailed out the owners by taking the bankrupt enterprise out of their hands and paying them an extremely handsome price for their shares. Morden Fine Foods was brought under government ownership because of the potentially negative effects of plant closure on the farmers and the communities in the Morden-Winkler area. Flyer Industries Ltd. in Morris and Winnipeg became a public enterprise under similar circumstances.

Finally, a public enterprise, the Canadian Broadcasting Corporation was established as a vehicle to help Canadian culture and a stronger sense of national identity. Its rationale rests entirely on non-economic grounds.

The Crown corporation has served Canadians as a highly flexible and useful instrument. It has been used to achieve both economic and non-economic objectives. It has been used as an instrument to promote economic development as well as an instrument to promote equity and a just distribution of the fruits of economic development. It has played different roles in different times. While it is by no means a panacea for all the problems that beset modern society, it remains an essential instrument and will be used by this government where appropriate.

In order to fulfill the objectives mentioned earlier, programs in each of the following areas are put forward for consideration:

- A Public Financial Intermediary
- Provincial Crown Corporations
- A Local Form of Crown Corporation
- Strengthening of the Co-operative Movement
- Promotion of Individual Enterprise

FINANCIAL INSTITUTIONS

A PUBLIC FINANCIAL INTERMEDIARY

It is the policy of the Manitoba government to increase competition in the field of financial services, both to lower costs to consumers and to reduce the flow of funds out of the province.

At present, the major financial institutions in Manitoba include trust companies, credit unions, mortgage companies, and the chartered banks. Of these the chartered banks are clearly dominant holding 88 percent of all deposits and having capital assets triple the others. While precise figures for Manitoba alone are not available, all of these institutions – especially banks and the major mortgage companies – have operated in a very profitable way. However, because the majority of the funds channelled through these institutions are invested according to national policies formulated in central Canada, the needs of the other regions of the country are not given their proper priorities. For example, only in one year (1970) during the period 1961-1970 did Manitoba receive its proportionate share of mortgage approvals for new housing taken on a per capita basis. For the most part, it received approximately 70 percent of what its population would seem to warrant and between 1966 and 1969 this dropped to approximately 50 percent, an unacceptable ratio. From figures presented to the Standing Committee on Economic Development in June, 1971, it was estimated that deposits collected by banks, trust, and insurance companies in Manitoba exceeded funds loaned in the province by $300 million per year. In many towns in rural and northern Manitoba the chartered banks have small but profitable branches which regularly accept deposits from local citizens but are almost non-existent when it comes to providing funds for local development. In all cases, major financial institutions have refused to disclose the figures showing loan-to-deposit ratios on a local or even provincial basis.

One way to provide for increased competition in financial markets and increased retention of funds within the province, would be to set up a public financial intermediary along the lines of Alberta's Treasury Branch system. Such an institution would accept deposits from the public, make loans to both the public and private sectors, perform a variety of services to the public (such as collection of utility bills and sale of various permits) and handle a large portion of government financial business.

The purpose of making commercial loans to the private sector is not to act as a lender of last resort, but to provide a degree of price competition to the banking system. A Treasury Branch operation would make a larger pool of funds available locally. Thus, resident entrepreneurs would have an incentive to shop for financial services locally rather than in centralized markets outside of the province, or even outside of Canada. Not only would the Treasury Branch system help stem the drain of financial resources from Manitoba and make capital more accessible to local development, but competition in financial markets should also result in moderately lower borrowing costs to the consumer of commercial financial services. This would be of particular benefit to local businesses which often have a difficult time obtaining adequate financing from the banking system.

STRENGTHENING FINANCIAL INSTITUTIONS WITHIN PROVINCIAL JURISDICTION

The dual goals of increasing competition and slowing the flow of funds would be facilitated by strengthening those financial institutions which fall within provincial jurisdiction, principally credit unions. While the Treasury Branch System would be providing competition to the chartered banking system in commercial loans, these institutions would create additional competition to financial institutions presently engaged in personal, consumer, and mortgage lending (i.e. banks, trust companies, consumer and mortgage loan companies). Credit unions, for example, have an inherent competitive advantage over other financial institutions in the personal and mortgage lending fields because of their greater personal knowledge of the loan applicants, who are also their members.

Government efforts to strengthen credit unions by broadening their financial base could include, among other things:

- The encouragement of trade union credit unions. This type of credit union has the greatest comparative advantage in the personal lending field because of its knowledge of its members. In Ontario, these credit unions have consistently been able to offer their members more favourable personal loan rates than could be obtained at the chartered banks. The stronger financial base of these institutions and their close ties with the union local has enabled them to provide financing for other community-oriented activities of the local. These credit unions are a major vehicle in combatting near-monopoly situations in the lending field.
- An increase in the amount of government business channelled through credit unions. In small communities, government business could be split between the Local Treasury Branch and the local, community-based credit union.

  Such a policy would provide a certain level of financial resources on a continuous basis to the credit union and do much to enhance its prestige. The need to service government accounts would also spur the credit union to attain higher levels of efficiency in operation.

Thus, by establishing a public financial intermediary and by greatly strengthening credit unions, a strong element of competition will be provided in financial markets. Since both the Treasury Branches and the credit unions would compete with banks for deposits, interest rates would be raised and service charges lowered. The Treasury Branches would also compete with the banks for commercial loans, while the credit unions compete for personal and mortgage loans.

All of these factors should tend to force down interest charges on these loans. To the extent that the Treasury Branch System and the credit union movement attract a more substantial portion of savings in competition with the banking system, there would be an increase in the supply of savings made available to both the private and public sectors in Manitoba.

These two mechanisms are ones that the province can strengthen or establish within its own jurisdiction to combat the insufficiency of the chartered financial institutions, operating under the Federal Bank Act, to meet Manitoba needs. Revisions in the Federal Bank Act to allow provincial crown equity participation in chartered banking, in co-operation with western credit unions or other appropriate western initiating groups, would provide for even greater competition with the existing institutions. The Province will continue to strongly press the federal government to bring about the required revisions in the Federal Bank Act to allow this flexibility and competition to be achieved.

PROVINCIAL CROWN CORPORATIONS

A PROVINCIAL DEVELOPMENT AGENCY

In order to actively participate in the processes of production so as to effect changes in the economic structure in conformity with social goals, crown corporations could be set up in a variety of areas, and joint ventures with the private sector could also be undertaken. This would best be done under the aegis of a Provincial development agency responsible for crown corporations. The Manitoba Development Corporation would be the logical nucleus of such an agency, and has already undertaken a unique developmental role in the case of Leaf Rapids and Venture Tours. It should be stressed at the outset that the provincial development agency would not parallel the operations of the Canada Development Corporation since the goals of the two bodies are substantially different.

One of the major objectives of the C.D.C. is to increase the supply of equities available to Canadians in order to generate a greater volume of funds for investment in the private sector. To do this, the C.D.C. will operate as a publicly-owned mutual fund: it will sell shares on the market and use the proceeds to buy up shares of existing enterprises and to provide equity capital for new ventures. To make its shares attractive to the public initially, the C.D.C. is to be "given" several highly profitable crown corporations, such as Polymer Corporation, Panarctic Oils and El Dorado Mines.

This policy is tantamount to selling off successful publicly owned assets. Companies owned by the Canadian public as a whole are being partially turned over to one group within the Canadian public, at a price determined by this group. Profits which once accrued to Canadian taxpayers as a whole (who also underwrote the initial risks of investment) will now be received in part by a particular group only. Since the average income of people who own shares is substantially above the average income of the taxpaying population in general, this represents essentially a redistribution of income toward greater inequality.

The provincial development agency should not operate in this manner. Neither should it operate in the traditional manner of Crown corporations in Canada – namely, only as a vehicle of last resort set up in areas where private enterprise fears to tread. Instead, the development agency would operate in some of the more profitable areas of the economy as well as in the higher risk areas. One component of its policy would be to set up companies in fields characterized by private monopoly. In addition, Crown corporations could be set up in sectors where there are potentially high social returns, but where the kinds of inputs and scale of operations required for efficient production are beyond the reach of local concerns. To ensure that the profit and control of these enterprises rest fully with the public, the Provincial development agency would be owned by all of the people in Manitoba through the public sector, rather than by a small group of investors through private shareholdings.

Some areas in which crown corporations would operate to best advantage are:

- Industries characterized by monopoly control. Many products are sold in Manitoba at excessive prices due to the existence of either monopoly control in that market area, or oligopoly where a few large firms dominate an industry and give the appearance of competition through artificial product differentiation. Government production of such commodities can provide a "yardstick" for competition, serving to lower costs to the consumer. This is particularly important in the case of products which are purchased in relatively equal quantities by all families regardless of income, as those families in lower income levels are most heavily affected. There are already existing examples of government success in entering monopolistic markets where there is a high degree of public benefit at stake, such as in the provision of water, electricity, and telephone services. Consequently, the government intends to investigate the possibilities of a public presence in industries such as pharmaceutical, food processing and distribution and fire and life insurance.

  In some cases where crown corporations are used to break monopoly or oligopoly power, it might be desirable for Manitoba to undertake joint production with other provinces, so as to realize economies of scale in administration.

  A policy of using Crown corporations to reduce private monopoly power has substantial distributive advantages as reflected in the pricing of Manitoba Telephone System and Manitoba Hydro. Although price reductions would benefit all consumers of a product equally on a per-unit basis, the relative importance of such savings increases as a family's income decreases. If Crown corporations can reduce prices of some universally-needed commodities, this will result in a significant increase in the real incomes and well-being of low-income Manitobans.

- Industries characterized by "barriers to entry". Public enterprise could be used in industries which are difficult, if not impossible, for small independent operators to enter.

  Crown corporations can often match the advantages which multi-function, multi-plant corporations enjoy in being able to spread costs of advertising, distribution, research and development over large outputs. In addition, where developmental requirements may involve tying up capital for lengthy periods before an adequate return on investment is realized, public enterprises, like large corporations, have a longer time horizon than the small independent operator and are better able to absorb a short-term loss in order to realize long-term profitability.

  This would suggest that government enterprise might be able to operate effectively in areas where local private concerns have not been able to compete with large multi-national enterprises. The government could either provide direct competition to large corporations in these areas, or could develop and sell services such as assistance in setting up distribution systems, advertising, market data, managerial skills and so on to locally owned private firms.

The proposed system of Northland Inns is an example of this type of enterprise applied to the tourist industry. The concept basically consists of the establishment of a publicly-owned franchising, marketing and booking organization which would provide financing and the initial managerial and organizational expertise required by the local developer. As well, it would set and enforce uniform standards of service and quality. This would be an umbrella organization under which all types of ownership – individual, co-operative, private or public corporation – could be accomodated.

In a similar manner a Crown agency could be the packaging and marketing hub for smaller food processing plants which produce a good product, as for example, in the case of the cheese producers in Manitoba, but don't have the resources to break into the provincial and national retail markets. The Crown agency could provide services which the smaller producing plants could not provide for themselves. Furthermore, it need not necessarily be completely Crown owned but could be a joint venture between the producers and the Crown or even a type of "federated" entity controlled by the producers with the Crown acting only as a catalyst.

(c) Small firms threatened by foreign take-over. Successful, medium-sized family-owned firms are frequently obliged to sell out to non-Canadian interests, generally as a result of the inability of their owners to raise sufficient funds for expansion purposes from Canadian financial sources. In such situations, the Provincial development agency could provide financing for a Canadian firm wishing to prevent the take-over, as the M.D.C. already has on past occasions, or it could enter a competitive bid to those of outside interests. By this means, control of Canadian firms threatened by foreign take-over could be kept in this country with profits accruing to the public sector. It would help assure that production, jobs and decision-making are not transferred abroad.

MUNICIPAL DEVELOPMENT CORPORATIONS

While Crown corporations can provide the provincial government with the opportunity to initiate and control development, there is no special structure to permit local governments to do the same. Yet, particularly in small, remote and isolated communities, the difficulty of obtaining business capital combined with the lack of managerial expertise at the local level forces local businessmen to be rather cautious in their investments. Outside concerns, however, often have the necessary capital and managerial expertise which is lacking locally and, by default, they have tended to be the developers of larger investment opportunities, particularly those with long gestation periods.

In new communities wishing to tie development to considerations of manpower, environment, transportation and co-ordinated community planning, some assistance is obviously needed to prevent the transfer of ownership to non-residents, which erodes local decision-making and siphons profits outside the community. Particularly in remote areas, the paradox has developed that those who live closest to valuable resources have tended to benefit least from their exploitation.

The Manitoba government has made a start in dealing with the problems of community development through the use of local Crown corporations. Their existence was made possible with the passage of the Manitoba Natural Resources Development Act in 1970. Since then, four companies – Manitoba Mineral Resources Ltd., Moose Lake Loggers Ltd., Minago Contractors Ltd., and Channel Area Loggers Ltd. – have been formed under this legislation.

These companies can be distinguished from other public enterprise vehicles such as the "pure" Crown corporation (e.g. The Manitoba Development Corporation) or its wholly-owned subsidiaries (e.g. Venture Tours). Both of these are answerable to the Province, either directly through a Minister of the Crown, as in the case of M.D.C., or indirectly through the board of directors of the parent Crown corporation, as in the case of the wholly-owned subsidiary.

The local Crown corporation combines elements of both of these. It answers directly to a Minister via the mechanism of a trust agreement (each board member sits in trust for the Crown, with his position revocable at any time). Similar to a wholly-owned subsidiary, it applies for incorporation under Part II of the Companies Act, thus becoming a legal entity with letters patent. Financing in either case may be by a direct equity purchase, a government loan or a guaranteed private loan. In the case of the Manitoba Natural Resources Development Act, it is also possible for the Minister of Finance to make grants to the local corporation.

In one sense, the local Crown corporation is merely a technical creation. As far as incorporation, it follows previously established channels. In effect, the Minister acts on behalf of others to incorporate a private company. Those other individuals who make up the Board include civil servants, private businessmen and local residents. The latter may be workers in the company and/or representatives of local communities. In the case of Moose Lake Loggers Ltd., for example, there are three loggers on the Board, one of whom is the Treasurer. In this way, it is hoped that the local people will gain valuable experience and the ability to run these enterprises on their own in time.

The four local Crown corporations mentioned have been successful both in terms of their own operations and in terms of fulfilling broader social and economic objectives. Because smaller communities in the North (such as Moose Lake and Berens River) have become locations for head offices, workers are able to live in their home villages and commute daily or weekly to their place of work. This is an excellent illustration of the *stay option* in practice. It shows the makings of a viable alternative to the economic forces that have caused numbers of northern people to move to the southern cities, and that have made it necessary for those seeking employment in the North to move from community to community in search of jobs.

The use of these local Crown corporations would be extended, so that the advantages of this type of structure could be made available to communities throughout the province, particularly new communities. One method of doing this could be to undertake legislation enabling one or more governments to apply to incorporate a municipal development corporation. These corporations would be without share capital, and wholly-owned by the founding municipalities. The board of directors would be responsible to the councils of each of the member municipalities.

Basically, these corporations would function in much the same way as the Provincial development agency, although at the local level. They could seek out profitable investment opportunities in their locality and engage in direct production, and they would not be restricted to activity in the natural resources field, as are the present local Crown corporations.

Because the municipal development corporation would have easier access to capital and a longer time horizon than local entrepreneurs, it would be able to exploit profitable investment opportunities which may be beyond the reach of independent local businesses. Thus, to some extent, it would reduce the control of non-residents over the livelihood of the community.

Financing for such institutions would come from a variety of sources including the participating municipalities, the local Treasury Branch and private financial institutions. In addition, the Province could provide a certain level of financial support, possibly channeled through either the M.D.C. or the Communities Economic Development Fund.

Municipal development corporations would need a variety of support services in addition to financing. If local private enterprise finds it difficult to obtain skilled managerial talent, it is not likely that local public enterprise would be able to do much better. The success of these corporations, then, would depend on access to technical and entrepreneurial assistance. This problem also plagues co-operative enterprises, and small private enterprises. The institutional arrangements necessary to provide support services to all of these types of enterprise will be discussed in the final section of the chapter.

Municipal development corporations are intended to complement the activities of the Provincial development agency in the developmental process. By providing a vehicle for direct local government participation in economic activities, they would enable individual communities, especially new communities, to have greater control over their futures. Because the boards of directors would be responsible to locally elected representatives, the institutions should be responsible to community needs. Additional citizen participation and input would be provided for by requiring that public meetings of the board be held with residents of the locality at frequent intervals. At the same time, the corporate structure would allow the enterprise to respond rapidly to existing opportunities and to initiate new activities without becoming tied down to government bureaucracy.

The municipal development corporations would also complement the activities of the regional development corporations. The latter were established to create the milieu for community economic development; the former would be able to initiate direct action within that milieu.

An additional advantage of the local development vehicle is that it provides for the integration of manpower programs with industrial planning, and it enables the community to take maximum advantage of the collective benefits which derive from manpower training. Through the integration of manpower planning with community economic development, particularly in new and rapidly-growing communities, the local labour force would be trained for actual jobs that do exist, or will exist because of the nature of the activities in which the municipal development corporation had expressed an interest. Since the skills thus developed would be put to use in the public sector, the benefits of training would not only accrue to the worker involved, but would go toward enriching the community as a whole.

This again reflects the role of the public sector in relating private and social costs and benefits, and in practical terms it is another example of how the *stay option* becomes meaningful.

CO-OPERATIVE ENTERPRISE

THE NATURE OF CO-OPERATIVES

Co-operatives are organized under Part 10 of the Companies Act to provide for equal participation of members in the decision-making process. Their primary objective is not to realize profit, but to enhance members' well-being through provision of goods and services. Thus, the patronage dividends, which represent the co-operatives' method of distributing surplus funds, are based on a member's use of the goods and services of the co-op, not on his shareholdings.

Co-operatives are voluntary institutions with open membership. They are also practical instruments of local economic development. Since the members set the broad policies of the co-op (which are implemented by the member-elected board or its manager-employee), individuals have clear control over how their money is used. Co-ops can be used as instruments to achieve the *stay option*, particularly in remote and rural areas, as profits generated locally are retained locally, making more funds available for local economic activity.

THE RATIONALE FOR CO-OPERATIVES

Individual production of a wide range of primary products is characterized by low productivity and, consequently, low incomes. The small scale of production rules out use of certain sophisticated inputs. Co-operative production grants access to more advanced technology, and allows for dramatic increases in productivity. Additional advantages accrue from more rational planning of production, division of labour, and greater organizing power between suppliers and customers.

It must be noted, of course, that both corporate production and government production carry the same advantages that accrue to co-ops by way of division of labour, use of specialized machinery, and so on. However, both of these vehicles have important offsetting factors as alternative development mechanisms in the area of primary production.

Corporate production, for example, does not satisfy the distributive principle. Comparative analysis of the incomes of fishermen as employees of privately owned fish companies prior to the establishment of the Freshwater Fish Marketing Corporation and more recently as members of a co-operative will bear this out. A further issue, in the case of integrated production involving non-Manitoba firms, is the extent to which residents of the province retain the full value of the output produced.

Public enterprise can meet the distributive principle, and also would ensure that the full value of output produced within the province would remain here. Public production, however, is unlikely to appeal to individual producers who exercise even minimal degrees of control over their economic activities, even though they might realize income increases as paid employees. Co-operatives have the advantage of retaining individual autonomy to a fair degree, while allowing for necessary increases in the scale of production.

Outside the area of primary production, is there any rational basis for choosing between co-ops and Crown corporations as development vehicles, particularly at the local level? For example, a retail outlet owned and operated by the local government through its municipal development corporation should offer the same benefits in terms of expanding the range of services available as would a consumer co-operative in the same community. Either operation would have greater access to funds than a small independent operation, and would be able to exercise the same economies of scale in operation.

In a case of this type, the choice of vehicle would depend on the source of the initiative. An energetic municipal council may wish to compete with a local monopoly through the municipal development corporation, or a group of citizens may decide to improve their condition by forming a co-op.

Where the nature of the product, however, is as important to the consumer as its price (e.g. housing, day care centres), co-operative production is probably preferrable to municipal public enterprise. It enables consumers to exercise control over the nature of the product on a continuing basis, which public production does not. The function of the provincial government would be to ensure the availability of services and financing for either option, and to make communities more aware of the possibilities open to them.

AREAS FOR CO-OPERATIVE DEVELOPMENT

Co-ops have been used as effective developmental instruments in primary production, especially in northern Manitoba. Producer co-operatives there are engaged in fish, pulpwood and wild rice production

Fish co-operatives, for example, have brought about significant savings to their members in air transportation costs, by negotiating lease arrangements with carriers which would not have been available to single operators. They have also reduced operating costs to members by purchasing supplies in bulk. Similar examples can be found in agricultural production where small farmers require access to economies of larger scale operations. Co-ops in such areas as machinery, grazing, feedlot and dairy operations have been discussed in the Agriculture chapter of *Guidelines.*

Co-operatives can also be effective in light manufacturing. For example, a handicraft co-operative has been organized at Garden Hill for the manufacture and marketing of Indian works of art; a co-operative wood working plant at St. Laurent manufactures stepladders and various forms of furniture.

Co-operatives could be organized in conjunction with provincial manpower training programs. In this case, the co-op would act as an employment instrument as well as a mechanism to provide follow-up training and skills development in a sheltered work environment.

Co-operatives can also be used to expand the range of goods and services available to the general public, and more particularly to groups of people inadequately served by other means. Consumer co-operatives, for example, are an effective means of combatting private monopoly power. The credit union movement bears this fact out. By pooling their funds, individuals found they could extend credit to each other more cheaply than it could be obtained from private institutions.

The establishment of consumer co-operatives in areas where lack of effective competition exists would help to lower prices on a variety of goods. This represents a redistribution of real income in a significant way.

CLIENT GROUPS FOR CO-OPERATIVE DEVELOPMENT

(1) Disadvantaged groups. Where groups of individuals, particularly native people, are cut off from the local power structure, there is a strong case for consumer and producer co-ops. In areas characterized by sharp social divisions, it is unlikely that the disadvantaged groups will have access to the outputs of municipal enterprises (such as municipally-owned recreation or housing programs).

Even where there is equal access to municipal services, it is unlikely that disadvantaged groups would have much say in decisions made by public corporations. Co-operative production allows these groups to control the kinds of activities that take place and to relate them to their needs and lifestyles.

(2) Groups inadequately served by both private and public sectors. Housing and day care co-operatives are examples of the type of co-ops which can fill the gap between services provided by the private and public sectors. In housing, a gap exists between clients who qualify for public housing and those who can afford housing in the private market. Housing co-ops, therefore, could be established for low and middle income families.

Similarly day care is available privately, but at substantial cost. Public day care facilities are less expensive but at present inadequate to meet potential demand. Day care co-ops could again be organized to fill the gap in services available.

In conclusion, then, co-operatives can be used as instruments of social and economic development in a much wider way than at present. The strengthening of co-operative institutions of production reflects both their value as instruments of achieving socially desirable goals and their own merit as structures which embody the goals of participation, self-determination and collective endeavour.

PROMOTION OF INDIVIDUAL ENTERPRISE

It was pointed out in the introduction that the vast majority of firms in Manitoba are relatively small in size. These firms face increasing difficulties in a world dominated by corporate giants which utilize their financial and technical superiority to buy out or squeeze out smaller operations which are both horizontal or vertical to them. It is the policy of the government to discourage this phenomenom through regulative policy and regulations and by continued and expanded technical, financial and organizational assistance to the small firms.

At the regulative level, the public interest requires that legislation be considered to make further monopolization in crucial sectors such as construction, food processing, etc. subject to a process of screening and, wherever the public interest requires it, prevented by law. Furthermore, positive public actions are required to compliment regulative policy. The heavy construction industry provides a good example of the type of positive action required to guard against public and private heavy construction needs being put into a monopoly or oligopoly situation with ultimate loss of competitive pricing. Public supplies of construction material such as sand, gravel, etc. in Crown or municipal ownership must not be sold off to private interests especially in circumstances that aid and abet conglomerates in the further monopolization of the heavy construction and general construction field. Indeed it may be fairly stated that small firm access to public gravel and sand supplies has enabled these firms to continue competitively building against the larger conglomerates.

On the service side, in order to strengthen the position of local enterprises, the Manitoba Development Corporation will continue to emphasize the operations of its small loans division, thereby closing to some extent an obvious gap in the province's capital supply. In addition, the public sector will continue to engage directly in the provision of certain technical services and managerial expertise to local private, co-operative and public enterprise through the expanded programs of the Department of Industry and Commerce and the recently established Department of Co-operative Services.

The concept of complete business finance assistance of "loan packaging" is central to the development of viable business enterprises in both the private and public sectors. Thus, the Provincial development agency might set up a special division for "loan packaging".

The assessment process at present generally involves a variety of specialists and quite often the absence of one of the necessary inputs results in business failure. Bankers make loans, economists assess feasibility, consultants propose management procedures, and lawyers file bankruptcy proceedings in the event of poor co-ordination of planning efforts. Many business ideas are never tried as a result of the complexities of the present process. The next logical step in the process, therefore, is "loan packaging" and the introduction of a new kind of development service, that of more comprehensive and integrated organization, financial and management assistance.

The concentration of several skills on the total operations of a proposed business would be the role of the loan packager. Rather than specializing in financing, operations, feasibility, or any one of several other areas of expertise, the packager would require a working knowledge of all these fields. However, the depth of knowledge required would be related to the needs of small and medium sized enterprises, and not multi-national corporations.

When approached by an entrepreneur; a group seeking to establish a co-operative or even a government agency interested in a Crown corporate development vehicle, a packager would be able to respond. In logical order, the packager would assess the economic feasibility of the proposal, the market potential, the capital requirements and the managerial assistance input which might be needed.

A major part of his work would involve bringing various agencies together as participants in financing a venture. This would necessitate a broad knowledge of financial agencies such as banks, credit unions, loan funds, trust funds and government departments. On several levels, activities of this nature already occur. In international financial circles, for example, packagers will bring together a consortium of banks to finance a large project such as the Arctic pipeline. On the provincial level, the M.D.C. and the Communities Economic Development Fund have begun to package loans by involving private banks, the Industrial Development Bank and other financial institutions as lenders. Much more of this type of activity will be required if public financial agencies are to have maximum impact and exert pressure on private financial institutions to fill the packaging and venture capital gap.

There are other areas in which a provincial development agency can act jointly with local development vehicles, such as franchising and providing marketing services collectively to co-ops, small private concerns or municipal development corporations in enterprises where they will be in competition with multi-national concerns. This particular role for public enterprise is not new. A Crown corporation established federally provides local fishing operations with access to international markets. The relationship between various local operations and the central development agency would be similar to the relationship between local fish co-ops and the Freshwater Fish Marketing Corporation, except that the central development agency will provide managerial advisory services as well as marketing services.

The Provincial development agency can thus become a focus within government for developmental activities. Proposals for loan packaging may come through government departments or directly from local sources where attempts to organize a private business, a co-op or a local Crown corporation are being made. The loan packaging division, after making its analysis will return its findings in the form of a total package for implementation (assuming the proposal is found to be viable). In this way, the lack of local knowledge regarding the feasibility of business opportunities, and the means whereby to set up operations and to take advantage of the various forms of government assistance will be overcome. Thus, the potential for a greater number of smaller economic entities within the mixed economy of Manitoba will be greatly increased.

CONCLUSION

Each of these various policies makes sense individually and can be defended on its own merits. However, these policies should also be seen as part of an integrated whole — the various mechanisms of economic enterprise are not necessarily independent or competing entities, but can be supportive of one another and used in a variety of complementary ways. Thus, the activities of Crown corporations at the provincial level can in many instances broaden the range of profitable undertakings open to local Crown corporations, co-operatives and small private firms. Joint ventures between the central development agency and local enterprise can combine the advantages of large scale provision of certain inputs with local delivery of services. Thus, a more rational division of labour emerges, combining centralization of certain aspects of production with decentralization of others. It is also possible for one entity, say the Province, to begin production in a certain area and then to transfer ownership of the facility to a local body if this is deemed desirable. The variety of developmental vehicles maximizes the potential for innovative activity. New ventures can be initiated by the provincial government through the activities of the development agency, by one or more municipal governments through the use of municipal development corporations, by individual entrepreneurs or by groups of activist citizens forming co-ops.

All innovative activity does not have to be channelled through a single agency: it is possible for one segment of society to act without having to persuade the rest of the system to go along.

The use of the various developmental mechanisms as outlined in this chapter can provide greater reality to the *stay option*. For the *stay option* to become a reality, local communities must be able to develop viable economic bases. A prerequisite for this is that the savings and profits generated within local communities largely remain in these communities. The establishment of a Treasury Branch System and the strengthening of the credit union movement can make available more resources for community development. The activities of the development agency at the provincial level can create more opportunities for profitable production at the local level; and the provision of technical services and managerial expertise can enable local residents to seek out and exploit these opportunities. Only in this way will people be faced with a genuine option of remaining where they are.

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